天溢果業控股有限公司
Tianyi Fruit Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 00756

Second Interim Report **2008**

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Hong Hong U
Mr. Sin Ke
Mr. San Kwan

Independent Non-Executive Directors

Mr. Zhuang Xueyuan
Mr. Zhuang Weidong
Mr. Tu Zongcai

COMPANY SECRETARY

Mr. Kwok Shun Tim *CPA, FCCA*

AUTHORISED REPRESENTATIVES

Mr. San Kwan
Mr. Kwok Shun Tim *CPA, FCCA*

AUDIT COMMITTEE

Mr. Zhuang Xueyuan *(Chairman)*
Mr. Tu Zongcai
Mr. Zhuang Weidong

REMUNERATION COMMITTEE

Mr. Sin Ke *(Chairman)*
Mr. Zhuang Weidong
Mr. Zhuang Xueyuan

NOMINATION COMMITTEE

Mr. Hong Hong U *(Chairman)*
Mr. Tu Zongcai
Mr. Zhuang Weidong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2201-03, 22nd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

AUDITORS

KPMG

COMPLIANCE ADVISOR

Evolution Watterson Securities Limited

LEGAL ADVISORS

Loong & Yeung, Solicitors

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited
Agricultural Bank of China, Quanzhou branch
Quanzhou City Commercial Bank

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

SHARE REGISTER AND TRANSFER OFFICE IN CAYMAN ISLANDS

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

COMPANY WEBSITE

www.tianyi.com.hk

FINANCIAL HIGHLIGHTS

	Twelve months ended 31 December		
	2008	2007	Change %
	RMB'000	RMB'000	
	(unaudited)	(audited)	
Revenue	**291,616**	265,595	+9.8
Gross profit	**79,158**	63,115	+25.4
Profit for the period	**74,117**	69,849	+6.1
Profit attributable to Shareholders	**71,714**	62,818	+14.2
Earnings per share - Basic (RMB cents)	**8.25**	8.38	-1.6

The shares of Tianyi Fruit Holdings Limited (the "Company") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 July 2008.

The board (the "Board") of directors (the "Directors") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the twelve months ended 31 December 2008 together with the comparative figures for the corresponding period in 2007.

BUSINESS REVIEW

The Group's revenue was primarily derived from the sale of frozen concentrated orange juice ("FCOJ") and its related product, fresh oranges, other concentrated fruit juices and dehydrated longans. According to the certificate issued by the China Beverage Industry Association (中國飲料工業協會) on 15 February 2008, the Group is one of the leading domestic producers in the FCOJ industry in China in terms of production quantity. It was forecasted by the United States Department of Agriculture, Foreign Agriculture Service in its Global Agriculture Information Network Report dated 29 November 2007 that approximately 20,000 tonnes of FCOJ were produced domestically in China in 2007 while the Group produced approximately 8,961 tonnes of FCOJ in 2008.

The Group believes that its success to date and potential for future growth can be attributed to a combination of strengths, including the followings:

- Solid and reputable customer base
- One of the leading producers of FCOJ in the large and fast growing juice market in China
- Well-established network for raw materials procurement and supply chain management

- A vertically integrated processing platform

- Automated production process, proven system of large scale manufacturing and quality control

- Experienced management with the track record of delivering growth and profitability

The Group aims to maximise shareholders' value and pursue a business growth strategy based on the following principal components:

- Continue to focus on the fast-growing juice concentrates market in China and consolidate and further increase its market share;

- Expand production capacities by building new production facilities in strategic locations and further strengthen its raw materials supply base; and

- Expand its products range and client base.

As to further enhance the Group's productivity to meet the increasing demand from the domestic market, on 25 October 2008, the Group completed the construction of the new plant situate at Fujian Province Mingxi County Shili Port Ecological-economy District（福建省明溪縣十里埠生態經濟區）. Subsequently, the production line in Sanming Summi Food Co., Limited ("Sanming Summi") had been relocated to the new plant. The new plant had commenced production at the end of November 2008 and would have an annual production capacity of approximately 4,000 metric tonnes concentrated fruit juice per pressing season under full operation (which represents an increase of approximately 700 metric tonnes as compared to the existing annual production capacity of Sanming Summi's production line).

Further details of the construction of the new plant are set out in the announcement of the Company dated 7 November 2008.

On 2 December 2008, the Group also announced that with effect from 1 December 2008, the financial year end date of the Company had been changed from 31 December to 30 June (the "Change") to the effect that the current financial period of the Company ending 30 June 2009 will cover an eighteen-month period from 1 January 2008 to 30 June 2009. The Board considers that the Change is necessary as to better reflect and be in line with the growth cycle of fresh oranges and the production cycle of FCOJ – the two major products of the Group which accounted for more than 90% of the total revenue of the Group for the twelve months ended 31 December 2007. The Group believes that the Change will provide the shareholders and potential investors a better appreciation of the actual performance of the Group.

Further details of the Change are set out in the announcement of the Company dated 2 December 2008.

FINANCIAL REVIEW

The Group's revenue increased from approximately RMB265,595,000 for the twelve months ended 31 December 2007 to approximately RMB291,616,000 for the twelve months ended 31 December 2008, representing an increase of approximately 9.8%.

For the twelve months ended 31 December 2008, the profit for the period was approximately RMB74,117,000 representing an increase of approximately 6.1% as compared to approximately RMB69,849,000 for the twelve months ended 31 December 2007. The profit attributable to equity shareholders of the Company for the twelve months ended 31 December 2008 rose by approximately RMB8,896,000 or 14.2% from approximately RMB62,818,000 for the twelve months ended 31 December 2007 to approximately RMB71,714,000 for the twelve months ended 31 December 2008.

Revenue from the sale of FCOJ and its related product grew from RMB124,337,000 for the twelve months ended 31 December 2007 to RMB184,617,000 for the twelve months ended 31 December 2008, representing an increase of 48.5%. The increase was attributable to the significant increase in the total production output of the production line of Sanming Summi as a result of technological modifications, ancillary equipment enhancement, and improved factory layouts in September and October 2007.

Revenue from the sale of fresh oranges fell from RMB127,128,000 for the twelve months ended 31 December 2007 to RMB94,700,000 for the twelve months ended 31 December 2008, representing a decrease of 25.5%. The decrease was due to the combined effect of decreased unit selling price and quantity sold of fresh oranges in 2008.

For the twelve months ended 31 December 2008, the average selling prices of FCOJ and its related product and fresh oranges were RMB14.30/kg (2007: RMB14.7/kg) and RMB1.70/kg (2007: RMB1.73/kg) respectively.

The gross profit of the Group increased by 25.4% to RMB79,158,000 in 2008 from RMB63,115,000 in 2007.

The gross profit margins by products for the twelve months ended 31 December 2008 and for the twelve months ended 31 December 2007 were as follows:

	For the twelve months ended 31 December 2008	For the twelve months ended 31 December 2007
FCOJ and its related product*	**42%**	48%
Fresh oranges*	**-3%**	-1%
Others	**39%**	33%

* The costs of the FCOJ and its related product and fresh oranges are adjusted for fair value changes.

The decline in gross profit margin of FCOJ and its related product as well as fresh oranges was due to the falling unit selling price. The increase in gross profit margin of others was due to the higher gross profit margin of concentrated gooseberry juices sold in 2008.

The distribution costs of the Group rose by 23.4% from RMB5,085,000 for the twelve months ended 31 December 2007 to RMB6,274,000 for the twelve months ended 31 December 2008, primarily as a result of the bonus distribution and salaries increment for sales and marketing staff and the incremental expenses arising from the operating of the Group's Shanghai office since late 2008.

The administrative expenses of the Group increased by 166.4% from RMB5,417,000 for the twelve months ended 31 December 2007 to RMB14,431,000 for the twelve months ended 31 December 2008, mainly attributable to the increased salaries of management staff, social insurance contributions and the bonus distribution; and the increase in general office expenses due to enlarged operation size of the Group.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity, financial resources and capital structure

As at 31 December 2008, the Group had cash and cash equivalents of RMB169,229,000 (31 December 2007: RMB67,783,000) and total borrowings of RMB5,100,000 (31 December 2007: RMB52,000,000). Approximately 99.0% (2007: 82.1%) and 1.0% (2007: 17.9%) of the cash and cash equivalents are held in RMB and Hong Kong dollars respectively. The Group did not have any interest bearing borrowings as at 31 December 2008 (31 December 2007: RMB52,000,000, at fixed interest rates ranged from 6.50% to 8.44% per annum). All borrowings of the Group are denominated in RMB.

As at 31 December 2008, the gearing ratio (which is calculated as total borrowings divided by total equity) of the Group was 1.2% (31 December 2007: 25.7%). As at 31 December 2008, the Group had current assets of RMB379,664,000 (31 December 2007: RMB238,126,000) and current liabilities of RMB44,344,000 (31 December 2007: RMB37,764,000). The current ratio (which is calculated as current assets divided by current liabilities) was 8.56 as at 31 December 2008, which showed an improvement as compared to 6.3 as at 31 December 2007.

The Board's approach to manage liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities to avoid any unacceptable losses or damage to the Group's reputation.

Foreign exchange exposure

The Group's sales and purchases were denominated in RMB. Therefore, the Group is not exposed to any significant foreign currency exchange risks and the Board does not expect any material impact on the Group's operations as a result of any future currency fluctuations. No financial instruments are employed by the Group for hedging purposes.

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to RMB10,405,000, which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 31 December 2008, the Group had no charge on any assets.

Contingent liabilities

As at 31 December 2008, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 31 December 2008, the Group employed approximately 273 employees (31 December 2007: 265 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. A share option scheme was also adopted for the employees of the Group and the relevant details are disclosed in the below section headed "Share Option Scheme" and in note 21 to the condensed consolidated interim financial statements.

PROSPECTS

Since the listing of the Company's shares on the Stock Exchange on 10 July 2008, the listing proceeds, net of listing expenses, of approximately HK$129.5 million from the International Offering of 250,000,000 shares of the Company were raised. As such, the Company has the resources to increase productivity and add value to its shareholders. The Group currently intends to apply those proceeds in the following manner:

- approximately HK$94.7 million (equivalent to approximately 73.1% of the Group's total net proceeds) for acquiring land use rights, plant construction, purchase and installation of production and processing equipment. The Group currently plans to use the proceeds to acquire land use rights in the first half of 2009; apply capital expenditure for the construction of the production plant which commenced construction in the second half of 2008 and is expected to complete construction by June 2009; acquire two sets of production facilities in the first half of 2009. Upon completion, the Group expects the new production plant will be able to generate an annual production capacity of 9,000 tonnes concentrated fruit juice;

- approximately HK$21.1 million (equivalent to approximately 16.3% of the Group's total net proceeds) for expanding of the total area of the orange farms the Group operates by approximately 10,000 mu: whilst the Group has not identified any particular orange farms to which the net proceeds will be applied. The Group currently plans to look for suitable lands located in Chongqing and Hunan Province in the PRC and lease approximately 10,000 mu of orange farms in first half 2009;

- approximately HK$3.6 million (equivalent to approximately 2.8% of the Group's total net proceeds) for enhancing the Group's marketing activities and expanding and improving the coverage of the Group's sales network: the Group will participate in marketing activities such as exhibitions, industry conference and promotion through different market media; set up sales representative offices in three top-tier cities in the PRC in 2009; and recruit new sales and marketing staff;

- approximately HK$3.6 million (equivalent to approximately 2.8% of the Group's total net proceeds) for improving the orange planting technology and further developing the Group's technological know-how on production of fruit concentrate products: the Group will establish a citrus technology centre in collaboration with other institutes for the development of citrus production technique; establish a fruit and vegetable juice processing technology centre to research and develop the fruit and vegetable processing technique; and recruit research and development staff; and

- approximately HK$6.5 million (equivalent to approximately 5.0% of the Group's total net proceeds) as general working capital of the Group.

As disclosed in the prospectus of the Company dated 30 June 2008 (the "Prospectus"), a non-binding memorandum of understanding was signed between the Group and Kaixian Jinhu Agriculture Development Co., Ltd. ("Kaixian Jinhu") on 21 April 2008. On 6 August 2008, Chongqing Tianbang Food Co., Ltd. ("Chongqing Tianbang"), a wholly owned subsidiary of the Company, was established by Manwell (China) Limited. The registered capital of Chongqing Tianbang is HK$80,000,000. The principal activities of Chongqing Tianbang are manufacturing and selling of FCOJ and selling of fresh oranges. On 13 August 2008, Chongqing Tianbang signed a binding contract for a FCOJ project. The total investment is expected to be approximately RMB160 million. In order to align with its business expansion plan as disclosed in the Prospectus, Chongqing Tianbang has entered into agreements to acquire certain juice processing equipment from manufacturers in Switzerland and Brazil, who are independent third parties to the Group, at a total consideration of US$5.5 million to establish a new fruit juice plant located in Kaixian, Chongqing Municipality. The consideration will be satisfied by the net IPO proceeds as stated in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The new production plant is expected to commence operation in the second half of 2009. The Group shall continue to identify any specific land acquisition or orange farm leasing opportunities.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2008, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are as follows:

1. Interests and short position in the shares (the "Shares") of the Company

Name of Directors	Capacity/Nature	No. of Shares	Percentage of issued share capital of the Company
Mr. Hong Hong U ("Mr. Hong")	Interest of controlled corporation (Note 2)	570,608,145 (L)	57.06%
Mr. Sin Ke ("Mr. Sin")	Interest of controlled corporation (Note 3)	75,000,734 (L)	7.50%

2. Interests and short position in the underlying Shares

Name of Directors	Capacity/Nature	No. of underlying Shares	Percentage of issued share capital of the Company
Mr. Hong	Beneficial owner (Note 4)	4,000,000 (L)	0.40%
Mr. Sin	Beneficial owner (Note 4)	6,000,000 (L)	0.60%
Mr. San Kwan	Beneficial owner (Note 4)	8,000,000 (L)	0.80%

Notes:

1. The letters "L" denote a long position in the Shares.

2. Mr. Hong beneficially owned 86.856% of the share capital of Key Wise Group Limited ("Key Wise"), and Key Wise held 570,608,145 Shares. Therefore, Mr. Hong is deemed, or taken to be, interested in 570,608,145 Shares under the SFO.

3. Mr. Sin is the sole owner of Cheer Sky Limited ("Cheer Sky"), which beneficially owned 13.144% of Key Wise. Therefore, Mr. Sin is deemed, or taken to be, interested in 75,000,734 Shares under the SFO.

4. Interests in the options granted on 18 November 2008 under the share option scheme of the Company. For further details, please refer to the below section headed "Share Option Scheme".

3. Long position in the ordinary shares of associated corporation

Name of Directors	Name of the associated corporation	Capacity/Nature	No. of shares held	Percentage of interest
Mr. Hong	Key Wise	Beneficial owner	86,856	86.86%
Mr. Sin	Key Wise	Interest of controlled corporation	13,144	13.14%

Save as disclosed above, as at 31 December 2008, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2008, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests and short position in the Shares and underlying Shares

Name of Shareholders	Capacity/Nature	No. of Shares/ underlying Shares	Percentage of issued share capital of the Company
Ms. Ng Sao Lang	Family (Note 2)	574,608,145 (L)	57.46%
Key Wise	Beneficial owner	570,608,145 (L)	57.06%
Ms. Hong Manna	Family (Note 3)	81,000,734 (L)	8.10%
First Trading Limited	Beneficial owner	75,000,000 (L)	7.50%
Mr. Ye Jinxing	Interest of controlled corporation (Note 4)	75,000,000 (L)	7.50%
Cheer Sky	Indirect interest (Note 5)	75,000,734 (L)	7.50%

Notes:

1. The letters "L" denote a long position in the Shares.

2. Mr. Hong beneficially owned 86.856% of the share capital of Key Wise, and Key Wise held 570,608,145 Shares. Therefore, Mr. Hong is deemed, or taken to be, interested in 570,608,145 Shares from Key Wise and 4,000,000 interests in share options. Ms. Ng Sao Lang is the spouse of Mr. Hong. Therefore, Ms. Ng is deemed, or taken to be, interested in the 574,608,145 Shares which Mr. Hong is interested in for the purposes of the SFO.

3. Mr. Sin is the sole owner of Cheer Sky, which beneficially owned 13.144% of Key Wise. Therefore, Mr. Sin is deemed, or taken to be, interested in 75,000,734 Shares from Cheer Sky and 6,000,000 interests in share options. under the SFO. Ms. Hong Manna is the spouse of Mr. Sin. Therefore, Ms. Hong is deemed, or taken to be, interested in the 81,000,734 Shares which Mr. Sin is interested in for the purposes of the SFO.

4. First Trading Limited is wholly owned by Mr. Ye Jinxing and thus under the SFO, Mr. Ye is deemed to be interested in the 75,000,000 Shares held by First Trading Limited.

5. Key Wise is beneficially owned by Cheer Sky as to 13.144% and Cheer Sky is regarded as interested in 13.144% of the 570,608,145 Shares (i.e. 75,000,734 Shares) owned by Key Wise under the SFO.

Save as disclosed above, and as at 31 December 2008, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, save as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Pursuant to a reorganisation (the "Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing"), the Company became the holding company of the subsidiaries of the Group in May 2008. The details of the Reorganisation have been set out in the Prospectus.

Save as disclosed above and disclosed in this announcement, during the period, there was no other material acquisition and disposal of subsidiaries and associated companies by the Company.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was approved by resolutions of the shareholders of the Company on 7 June 2008.

An offer for the grant of options must be accepted within 7 days from the day on which such offer was made. The amount payable by each grantee of options to the Group on acceptance of the offer for the grant of options is HK$1.00.

An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Scheme.

The status of the share options granted up to 31 December 2008 is as follows:

Category of participants	As at 1 January 2008	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 31 December 2008	Date of grant of share option	Exercise period of share options	Exercise price of share options HK$	Share price of the Company as at the date of grant of share options* HK$
Directors:									
Hong Hong U	—	4,000,000	—	—	4,000,000	11 November 2008	10 years from the date of grant	0.75	0.75
Sin Ke	—	6,000,000	—	—	6,000,000	11 November 2008	10 years from the date of grant	0.75	0.75
Sin Kwan	—	8,000,000	—	—	8,000,000	11 November 2008	10 years from the date of grant	0.75	0.75
Employees**	—	21,000,000	—	—	21,000,000	11 November 2008	10 years from the date of grant	0.75	0.75

* The share price of the Company as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange of the trading day immediately prior to the date of the grant of the share options.

** There was a total of 8 employees of the Group being granted share options under the Share Option Scheme, all of whom are not Directors, chief executive or substantial shareholders of the Company or their respective associates.

The following table lists the vesting period of the share options granted under the Scheme:

	Name	No. of Option Shares	Vesting period/Maximum percentage of options exercisable from the date of acceptance* 0-12 Months	13-24 Months	25-36 Months	After 36 Months
Directors	Hong Hong U	4,000,000	0.00%	32.50%	65.00%	100.00%
	Sin Ke	6,000,000	0.00%	33.33%	66.67%	100.00%
	San Kwan	8,000,000	0.00%	30.00%	60.00%	100.00%
Employees		21,000,000	0.00%	30.95%	61.90%	100.00%
		39,000,000	0.00%	31.28%	62.56%	100.00%

* The date of grant and the date of acceptance for all outstanding share options are the same and are 18 November 2008.

For further information of the options granted during the period under review, please refer to note 21 to the condensed consolidated interim financial statements.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE AND THE LISTING RULES

The Board considered that, since the listing of the Company up to 31 December 2008, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules.

Pursuant to Rule 13.51B(1) of the Listing Rules, the Company advises that Mr. Sin Ke, who is a Director, is also a director of Sanming Summi. Mr. San Kwan, another Director, is a supervisor of Chongqing Shangguo Agriculture and Technology Co., Ltd, a subsidiary of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by the Directors adopted by the Company since the listing of the Company.

AUDIT COMMITTEE

The audit committee of the Company had reviewed with management of the Group the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements and the interim report of the Group for the twelve months ended 31 December 2008.

INTERIM DIVIDEND

The Directors do not propose the payment of an interim dividend for the twelve months ended 31 December 2008 (2007: nil).

By Order of the Board
Tianyi Fruit Holdings Limited
Hong Hong U
Chairman

Quanzhou, Fujian Province, The People's Republic of China
25 March 2009

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Tianyi Fruit Holdings Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the twelve months ended 31 December 2008, along with the comparative figures and selected explanatory notes, which are prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), and have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the twelve months ended 31 December 2008

		Six months ended 31 December		Twelve months ended 31 December	
	Note	**2008 RMB'000 (unaudited)**	2007 RMB'000 (unaudited)	**2008 RMB'000 (unaudited)**	2007 RMB'000 (audited)
Revenue	5	**165,208**	141,211	**291,616**	265,595
Cost of sales		**(129,033)**	(112,906)	**(212,458)**	(202,480)
Gross profit		**36,175**	28,305	**79,158**	63,115
Gain from change in fair value of biological assets less estimated point-of-sale costs	15	**44,352**	44,001	**44,352**	44,001
Other income	6	**1,894**	757	**2,494**	757
Distribution costs		**(4,276)**	(3,913)	**(6,274)**	(5,085)
Administrative expenses		**(10,955)**	(3,215)	**(14,431)**	(5,417)
Other expenses		**(104)**	(111)	**(301)**	(118)
Profit from operations		**67,086**	65,824	**104,998**	97,253
Finance income		**884**	133	**1,334**	222
Finance expenses		**(755)**	(1,314)	**(3,020)**	(1,727)
Net finance costs	9	**129**	(1,181)	**(1,686)**	(1,505)
Profit before tax		**67,215**	64,643	**103,312**	95,748
Income tax	10	**(19,496)**	(18,163)	**(29,195)**	(25,899)
Profit for the period		**47,719**	46,480	**74,117**	69,849

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

For the twelve months ended 31 December 2008

	Note	Six months ended 31 December		Twelve months ended 31 December	
		2008	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
		(unaudited)	(unaudited)	**(unaudited)**	(audited)
Attributable to:					
Equity shareholders of the Company		**47,719**	41,786	**71,714**	62,818
Minority interests		**—**	4,694	**2,403**	7,031
Profit for the period		**47,719**	46,480	**74,117**	69,849
Earnings per share (RMB cents)					
— Basic	11	**4.83**	5.57	**8.25**	8.38
— Diluted	11	**4.83**	N/A	**8.25**	N/A
Interim dividend		**—**	—	**—**	—

The notes on pages 21 to 48 form part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	As at 31 December 2008 RMB'000 (unaudited)	2007 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	**95,979**	27,459
Land use rights		**2,451**	2,521
Rental prepayments	13	**14,510**	9,357
		112,940	39,337
Current assets			
Inventories	14	**42,717**	33,060
Biological assets	15	**5,848**	5,799
Rental prepayments	13	**9,094**	8,971
Trade and other receivables	16	**145,036**	122,513
Time deposits maturing after three months		**7,740**	—
Cash and cash equivalents	17	**169,229**	67,783
		379,664	238,126
Total assets		**492,604**	277,463
Current liabilities			
Loans and borrowings	18(a)	**—**	17,000
Trade and other payables	19	**32,185**	5,627
Income tax payables		**12,159**	15,137
		44,344	37,764
Net current assets		**335,320**	200,362
Total assets less current liabilities		**448,260**	239,699
Non-current liabilities			
Deferred income	20	**10,000**	—
Loans and borrowings	18(a)	**5,100**	35,000
Deferred tax liabilities		**4,181**	2,459
		19,281	37,459
Total liabilities		**63,625**	75,223
Net assets		**428,979**	202,240

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 31 December 2008

	Note	As at 31 December 2008 RMB'000 (unaudited)	2007 RMB'000 (audited)
Capital and reserves			
Share capital	22	**8,791**	730
Reserves	22	**420,088**	181,240
Total equity attributable to equity shareholders of the Company		**428,879**	181,970
Minority interests	22	**100**	20,270
Total equity		**428,979**	202,240

Approved and authorised for issue by the board of directors on 25 March 2009.

Hong Hong U
Director

Sin Ke
Director

The notes on pages 21 to 48 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 31 December 2008

	Note	Six months ended 31 December		Twelve months ended 31 December	
		2008	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
		(unaudited)	(unaudited)	**(unaudited)**	(audited)
Equity attributable to equity shareholders of the Company:					
Balance at the beginning of the period		**266,142**	140,184	**181,970**	119,152
Profit for the period		**47,719**	41,786	**71,714**	62,818
Acquisition of minority interests		**—**	—	**23,779**	—
Issue of shares through Initial Public Offering		**138,269**	—	**138,269**	—
Share issue expenses		**(24,525)**	—	**(24,525)**	—
Waiver of an equity shareholder's loan		**—**	—	**36,396**	—
Equity settled share-based payment		**711**	—	**711**	—
Exchange difference on translation into presentation currency		**563**	—	**565**	—
Balance at the end of the period		**428,879**	181,970	**428,879**	181,970
Minority interests:					
Balance at the beginning of the period		**—**	15,576	**20,270**	13,239
Profit for the period		**—**	4,694	**2,403**	7,031
Capital injection		**100**	—	**1,100**	—
Acquisition of minority interests		**—**	—	**(23,673)**	—
Balance at the end of the period		**100**	20,270	**100**	20,270
Total equity:	22(a)	**428,979**	202,240	**428,979**	202,240

The notes on pages 21 to 48 form part of these financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the twelve months ended 31 December 2008

	Six months ended 31 December		Twelve months ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Cash (used in)/generated from operations	**(23,140)**	5,830	**96,340**	54,236
Interest paid	**—**	(774)	**(120)**	(1,279)
Income tax paid	**(5,586)**	(3,979)	**(30,451)**	(27,341)
Net cash (used in)/generated from operating activities	**(28,726)**	1,077	**65,769**	25,616
Net cash used in investing activities	**(73,990)**	(5,403)	**(77,832)**	(11,404)
Net cash generated from financing activities	**128,944**	40,000	**112,944**	37,120
Net increase in cash and cash equivalents	**26,228**	35,674	**100,881**	51,332
Cash and cash equivalents at beginning of the period	**142,436**	32,109	**67,783**	16,451
Effect of foreign currency exchange rate changes	**565**	—	**565**	—
Cash and cash equivalents at the end of the period	**169,229**	67,783	**169,229**	67,783

Non-cash transactions:

	Six months ended 31 December		Twelve months ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Acquisition of minority interests	**—**	—	**23,673**	—
Waiver of an equity shareholder's loan	**—**	—	**36,396**	—

The notes on pages 21 to 48 form part of these financial statements.

1. REPORTING ENTITY AND CORPORATE REORGANISATION

Tianyi Fruit Holdings Limited was incorporated in the Cayman Islands on 5 February 2008 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 33 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation (the "Reorganisation") of the Group to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group in May 2008. Details of the Reorganisation are set out in the prospectus of the Company dated 30 June 2008 (the "Prospectus"). The Company's shares were listed on the Stock Exchange on 10 July 2008.

Details of the Company's subsidiaries as at 31 December 2008 are as follows:

Name of company	Place and date of establishment/ incorporation	Issued and fully paid up/ registered capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Sunshine Vocal Limited ("Sunshine Vocal") (i)	British Virgin Islands ("BVI") 17 July 2007	USD100,000/ USD100,000	100%	—	Investment holding
Rich Anges Limited (i)	BVI 10 October 2007	USD1/ USD50,000	100%	—	Investment holding
Potel Limited (i)	Hong Kong 3 September 2007	HKD1/ HKD10,000	—	100%	Investment holding
Manwell (China) Limited (i)	Hong Kong 22 November 2007	HKD1/ HKD10,000	—	100%	Investment holding
Summi (Fujian) Food Co., Limited ("Summi Fujian") (i)	People's Republic of China ("PRC") 15 March 1993	RMB80,000,000/ RMB80,000,000	—	100%	Manufacturing and selling of concentrated fruit juice and selling of fresh oranges
Sanming Summi Food Co., Limited ("Sanming Summi") (ii)	PRC 27 September 2007	RMB10,000,000/ RMB10,000,000	—	100%	Manufacturing and selling of concentrated fruit juice
Chongqing Tianbang Food Co., Limited ("Chongqing Tianbang") (iii)	PRC 6 August 2008	HKD80,000,000/ HKD80,000,000	—	100%	Manufacturing and selling of concentrated fruit juice
重慶尚果農業科技有限公司 ("Chongqing Shangguo") (ii)	PRC 16 December 2008	RMB11,000,000/ RMB11,000,000	—	100%	Selling of fresh oranges
三明天溢農業綜合開發有限公司 ("Sanming Tianyi") (iv)	PRC 19 December 2008	RMB2,000,000/ RMB2,000,000	—	95%	Selling of fresh oranges

1. REPORTING ENTITY AND CORPORATE REORGANISATION *(Continued)*

(i) Summi Fujian was incorporated in the PRC as a sino-foreign equity joint-venture. From 1 January 2007 to 22 October 2007, 90% equity interest in Summi Fujian was held indirectly by Mr. Hong Hong U through Tak Vang Sap Ip Fat Chin Hong ("Macau Dehong"). On 22 October 2007, Macau Dehong disposed of such 90% equity interest in Summi Fujian to Potel Limited, a wholly owned subsidiary of Sunshine Vocal, which in turn was wholly owned by Mr. Hong Hong U. On the same day, Mr. Hong Hong U transferred 12.153% of his equity interest in Sunshine Vocal to an unrelated BVI investment holding company. Prior to 20 December 2007, the remaining 10% equity interest in Summi Fujian was held by a domestic company in the PRC unrelated to Mr. Hong Hong U and has been presented as minority interests in the financial statements. On 20 December 2007, Quanzhou Yuansen Trading Limited ("Quanzhou Yuansen"), a company controlled by Ms. Xin Liang, the sister of Mr. Sin Ke, a director of Summi Fujian, acquired this 10% equity interest in Summi Fujian at a consideration of RMB12 million determined by reference to the net asset value of Summi Fujian based on a PRC valuation report issued by Xiamen Junhe Appraisal Consultancy Co., Ltd. (廈門均和評估諮詢有限公司) dated 20 May 2007. On 29 December 2007, Quanzhou Yuansen sold this 10% equity interest at a consideration of RMB12 million to Manwell (China) Limited, a wholly owned subsidiary of Rich Anges Limited which is wholly controlled by Mr. Sin Ke.

Both Rich Anges Limited and Manwell (China) Limited have not conducted any activities since their establishment, other than acting as investment holding companies from 29 December 2007 in respect of the 10% equity interest in Summi Fujian. Both entities were wholly owned by Mr. Sin Ke from their establishment date to 22 May 2008 and were not under the control of the Group's ultimate controlling equity shareholder, Mr. Hong Hong U until 22 May 2008, when Rich Anges Limited and Manwell (China) Limited were acquired by the Company as part of the Reorganisation. Accordingly the relevant assets and liabilities of Rich Anges Limited and Manwell (China) Limited were not included in the financial statements of the Group as at 31 December 2007. The 10% equity interest in Summi Fujian held by Manwell (China) Limited has been presented as minority interests in the financial statements as at 31 December 2007. On 22 May 2008, the Company acquired 10% equity interest in Summi Fujian by acquiring the entire issued capital of Rich Anges Limited from Mr. Sin Ke in consideration of which the Company allocated and issued 10,000,000 shares to Mr. Sin Ke credited as fully paid.

(ii) These entities were incorporated in the PRC as a domestic company and have been wholly owned by Summi Fujian since their establishment.

(iii) The entity was incorporated in the PRC as a domestic company and has been wholly owned by Manwell (China) Limited since its establishment.

(iv) The entity was incorporated in the PRC as a domestic company and has been invested by Sanming Summi since its establishment.

2. BASIS OF PRESENTATION AND PREPARATION

These interim financial statements have been prepared on the same accounting policies adopted in the preparation of the Accountants' Report included in the Appendix I of the Prospectus (the "Accountants' Report") and should be read in conjunction with the Accountants' Report.

On 2 December 2008, the board of directors (the "Board") of the Company announced that with effect from 1 December 2008, the financial year end date of the Company has been changed from 31 December to 30 June (the "Change") to the effect that the current financial period of the Company ending 30 June 2009 will cover an eighteen-month period from 1 January 2008 to 30 June 2009. The Board considers that the Change is necessary as to better reflect and be in line with the growth cycle of fresh oranges and the production cycle of frozen concentrated orange juice as these are two major products of the Group which accounted for more than 90% of the total revenue of the Group for the twelve months ended 31 December 2007.

Because the same ultimate controlling equity shareholder, Mr. Hong Hong U, controlled the companies now comprising the Group (except for Rich Anges Limited and Manwell (China) Limited) during the periods presented in these financial statements before and after the Reorganisation and consequently there was continuation of the risks and benefits to the ultimate controlling equity shareholder, the financial statements have been prepared as a reorganisation of business under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants has been applied. Accordingly, the relevant assets and liabilities of the companies comprising the Group during the periods presented are included in the consolidated financial statements of the Group from the date when the companies first came under the control of the Group's ultimate controlling equity shareholder, using the existing book values from the ultimate controlling equity shareholder's perspective.

The condensed consolidated income statement, the condensed consolidated statement of changes in equity, and the condensed consolidated cash flow statement set out in these financial statements includes the results of operations of the Group as if the Group had been in existence and remained unchanged throughout the entire periods presented. The condensed consolidated balance sheet of the Group as at 31 December 2007 has been prepared to present the consolidated state of affairs of the Group as if the Group had been in existence as at that date.

These interim financial statements have been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard ("IAS") 34 "Interim financial reporting", issued by the IASB.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the issuance of the Accountants' Report. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs.

The financial information relating to the twelve months ended 31 December 2007 that is included in these interim financial statements as being previously reported information does not constitute the Company's statutory financial statements for that financial period but is derived from the Accountants' Report. The financial information of the Group for the twelve months ended 31 December 2007 is contained in the Accountants' Report. The Accountants' Report is available from the Company's registered office. The reporting accountants have expressed an unqualified opinion in the Accountants' Report dated 30 June 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared on the same accounting policies adopted in the preparation of the Accountants' Report and should be read in conjunction with the Accountants' Report.

In the current interim period, the Group has adopted the following accounting policies in respect of share-based payment transactions and government grants.

Share-based payment transactions

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed periodically. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to the income statement for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits). Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiary in the Company's balance sheet which is eliminated on consolidation.

Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the income statement on a systematic basis over the useful life of the asset.

4. ACCOUNTING ESTIMATE AND JUDGEMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In preparing the interim financial statements, in addition to the note 21 which contains information about assumptions relating to fair value of share options granted, the significant judgement made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to and are disclosed in the Accountants' Report.

5. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments, which is the basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

Business segments

The Group comprises the following main business segments:

— Frozen concentrated orange juice ("FCOJ") and its related product. The FCOJ and its related product segment carries on the business of manufacturing and distribution of FCOJ, which is produced through a sequence of processes including crushing, pressing, pasteurisation and concentrating by using fresh oranges as raw material. FCOJ and its related product are mainly used as raw material in the production of fruit juice and blended fruit juice.

— Fresh oranges. The fresh orange segment carries on the business of cultivation and selling of fresh oranges.

Other operations include business of manufacturing and selling of other fruit juice and additive products.

5. SEGMENT REPORTING *(Continued)*

Revenue and expenses

	Six months ended 31 December		Twelve months ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Revenue				
FCOJ and its related product	**89,745**	45,541	**184,617**	124,337
Fresh Oranges	**64,004**	84,232	**94,700**	127,128
Others	**11,459**	11,438	**12,299**	14,130
Total	**165,208**	141,211	**291,616**	265,595
Segment result				
FCOJ and its related product	**29,424**	28,100	**68,013**	62,576
Fresh Oranges	**34,498**	32,738	**33,484**	29,913
Others	**3,349**	4,287	**3,713**	4,125
Total	**67,271**	65,125	**105,210**	96,614
Unallocated operating income and expenses	**(185)**	699	**(212)**	639
Profit from operations	**67,086**	65,824	**104,998**	97,253
Net finance costs	**129**	(1,181)	**(1,686)**	(1,505)
Income tax	**(19,496)**	(18,163)	**(29,195)**	(25,899)
Profit for the period	**47,719**	46,480	**74,117**	69,849

Geographical segment

As the Group only operates in the PRC, no geographical segment information is presented.

6. OTHER INCOME

	Six months ended 31 December		Twelve months ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Government grants	**1,800**	647	**2,400**	647
Others	**94**	110	**94**	110
	1,894	757	**2,494**	757

The Group received unconditional discretionary grants amounting to RMB2,400,000 for the twelve months ended 31 December 2008 from various PRC government authorities in recognition of the Group's contribution to the development of the local agriculture industry. These government grants are not recurring in nature and are not only available to the Group. There is no assurance that the Group will receive these government grants in the future.

7. PERSONNEL EXPENSES

	Six months ended 31 December		Twelve months ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Salaries, wages and other benefits	**29,365**	23,802	**40,138**	34,290
Contributions to defined contribution plans	**568**	347	**985**	732
	29,933	24,149	**41,123**	35,022

The Group participates in pension funds organised by the PRC government. According to respective pension fund regulations, the Group is required to pay annual contributions. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The Group has no other material obligation for payment of retirement and other post retirement benefits of employees other than the contributions described above.

8. EXPENSES BY NATURE

The following expenses are included in cost of sales, distribution costs, administrative expenses and other expenses.

	Six months ended 31 December		Twelve months ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Cost of inventories recognised as expenses	**129,033**	112,906	**212,458**	202,480
Depreciation	**1,635**	1,059	**3,012**	2,147
Amortisation of land use rights	**35**	35	**70**	70
Amortisation of rental prepayments	**4,612**	4,601	**9,212**	9,201
Loss on disposal of property, plant and equipment	**—**	—	**—**	3
Research and development costs	**217**	111	**297**	223

For the twelve months ended 31 December 2008 and 2007, cost of inventories includes personnel expenses of RMB30,685,000 and RMB32,412,000 respectively. These amounts are also included in the respective expenses disclosed in note 7 above.

9. NET FINANCE COSTS

	Six months ended 31 December		Twelve months ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Interest income on bank deposits	**884**	133	**1,334**	222
Finance income	**884**	133	**1,334**	222
Interest expenses on loans and borrowings	**—**	(774)	**(1,516)**	(1,184)
Bank charges	**(8)**	(4)	**(75)**	(7)
Net foreign exchange loss	**(747)**	(536)	**(1,429)**	(536)
Finance expenses	**(755)**	(1,314)	**(3,020)**	(1,727)
Net finance costs	**129**	(1,181)	**(1,686)**	(1,505)

10. INCOME TAX

Income tax in the condensed consolidated income statement represents:

	Six months ended 31 December		Twelve months ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Current tax expense				
Provision for PRC income tax	**15,495**	15,704	**27,473**	30,353
Deferred tax expense				
Origination and reversal of temporary differences	**4,001**	2,459	**1,722**	(4,454)
	19,496	18,163	**29,195**	25,899

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision has been made for Hong Kong profits tax as the Group did not have assessable profit subject to Hong Kong profits tax.

(iii) Pursuant to the Income Tax Law of the PRC For Enterprises with Foreign Investment And Foreign Enterprises (effective as of 1 July 1991), Summi Fujian is entitled to a preferential PRC foreign enterprise income tax rate of 27%. Sanming Summi, established on 27 September 2007 as a PRC domestic company, is subject to the statutory income tax rate of 33%.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law") which became effective on 1 January 2008. The New Tax Law adopts a uniform tax rate of 25% for all enterprises including the Group's subsidiaries in the PRC. The New Tax Law has been adopted when measuring the Group's deferred taxes with effect from 16 March 2007.

(iv) Pursuant to the New Tax Law, 10% withholding tax is levied on foreign investors (5% for foreign investors registered in Hong Kong) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. As the Company controls the dividend policy of the Group's PRC subsidiaries, as at 31 December 2008, deferred tax liabilities of RMB540,000 (31 December 2007: nil) have been recognised in respect of the tax that would be payable on the portion of the retained profits of the Group's PRC subsidiaries which the Directors expect to be distributed by them in the foreseeable future. Deferred tax liabilities of RMB2,814,000 have not been recognised as at 31 December 2008, as the Directors consider it probable that a portion of the profits earned by the Group's PRC subsidiaries for the period from 1 January 2008 to 31 December 2008 would not be distributed in the foreseeable future.

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 31 December 2008 is based on the profit attributable to the equity shareholders of the Company of RMB47,719,000 (for the twelve months ended 31 December 2008: RMB71,714,000) and the weighted average number of 987,771,739 ordinary shares (for the twelve months ended 31 December 2008: 869,535,519 ordinary shares) of the Company (after adjusting for the effect of capitalisation issue and acquisition of minority interests, as if all of those shares were outstanding throughout the twelve months period ended 31 December 2008), calculated as follows:

Weighted average number of ordinary shares

	Six months ended 31 December 2008	Twelve months ended 31 December 2008
Issued ordinary shares	100,000,000	100,000,000
Effect of capitalisation issue	650,000,000	650,000,000
Effect of the initial public offering	237,771,739	119,535,519
Weighted average number of ordinary shares	987,771,739	869,535,519

The calculation of basic earnings per share for the six months ended 31 December 2007 is based on the profit attributable to the equity holders of the Company of RMB41,786,000 (for the twelve months ended 31 December 2007: RMB62,818,000) and 750,000,000 ordinary shares of the Company (after adjusting for the effect of capitalisation issue and acquisition of minority interests, as if all of those shares were outstanding throughout the twelve months period ended 31 December 2007).

(b) Diluted earnings per share

The amount of diluted earnings per share is the same as the basic earnings per share for the twelve months ended 31 December 2008 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

There were no dilutive potential shares in existence during the twelve months ended 31 December 2007 and therefore diluted earnings per share are not presented.

12. PROPERTY, PLANT AND EQUIPMENT

During the twelve months ended 31 December 2008, the Group acquired items of plant and machinery with costs of RMB64,250,000. Apart from that, there are no significant acquisitions/disposals during the twelve months ended 31 December 2008.

13. RENTAL PREPAYMENTS

	Twelve months ended 31 December	
	2008	2007
	RMB'000	RMB'000
	(unaudited)	(audited)
At 1 January	**18,328**	27,529
Additions	**14,488**	—
Less: amortisation	**(9,212)**	(9,201)
At 31 December	**23,604**	18,328
Representing:		
Current portion	**9,094**	8,971
Non-current portion	**14,510**	9,357
	23,604	18,328

This represents prepayments of long-term rentals of orange farms as at the balance sheet dates under operating lease.

All of the orange farms leased by the Group are located in the PRC.

14. INVENTORIES

(a) Inventories, net of provisions, in the consolidated balance sheet comprise:

	As at 31 December 2008	As at 31 December 2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Oranges	**35,431**	31,745
Frozen concentrated juice	**6,486**	1,113
Consumables and packing materials	**800**	202
	42,717	33,060

14. INVENTORIES *(Continued)*

(b) Provisions of RMB752,000 and RMB410,000 were made against those inventories with net realisable value lower than the carrying value as at 31 December 2008 and 2007, respectively. Except for the above, none of the inventories as at 31 December 2008 and 2007 was carried at net realisable value.

(c) The analysis of the amount of inventories recognised as an expense is as follows:

	Six months ended 31 December		Twelve months ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Carrying amount of inventories sold	**126,583**	111,741	**209,012**	201,315
Write-down of inventories	**2,450**	1,165	**3,446**	1,165
	129,033	112,906	**212,458**	202,480

(d) Production quantities of agricultural produce:

	Twelve months ended 31 December	
	2008	2007
	tonnes	tonnes
	(unaudited)	(audited)
Oranges	**97,843**	98,033

15. BIOLOGICAL ASSETS

Movements in biological assets, representing immature oranges before harvest, are summarised as follows:

		Twelve months ended 31 December	
		2008	2007
		RMB'000	RMB'000
		(unaudited)	(audited)
At 1 January		**5,799**	5,777
Increase due to cultivation		**68,214**	80,224
Gain from changes in fair value less estimated point-of-sale costs	(i)	**44,352**	44,001
Harvested oranges transferred to inventories		**(112,517)**	(124,203)
At 31 December	(ii)	**5,848**	5,799

15. BIOLOGICAL ASSETS *(Continued)*

(i) The directors measured the fair value of oranges at harvest based on market prices as at or close to the harvest dates.

(ii) All oranges are harvested annually and are harvested shortly before the calendar year end. At 31 December 2008, little biological transformation for the following period's harvest has taken place and therefore biological assets are stated at cost as the directors consider that their fair value as at 31 December 2008 cannot be measured reliably and no reliable alternative estimates exist to determine fair value. The carrying value of biological assets as at period end represents cultivation costs incurred including mainly fertilisers, pesticides, labour costs.

16. TRADE AND OTHER RECEIVABLES

	As at 31 December 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Trade receivables	**142,386**	113,784
Prepayments	**2,086**	8,060
Other receivables	**564**	669
	145,036	122,513

The Group generally grants credit terms of 90 days to its customers. An ageing analysis of the trade receivables as of the balance sheet dates is as follows:

	As at 31 December 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Within three months	**142,379**	113,455
More than three months but within one year	**7**	329
	142,386	113,784

All of the trade and other receivables are expected to be recovered within one year.

17. CASH AND CASH EQUIVALENTS

	As at 31 December 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Denominated in RMB	**167,595**	55,658
Denominated in HKD	**1,634**	12,125
Total cash and cash equivalents	**169,229**	67,783

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

18. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost.

(a) Loans and borrowings were repayable as follows:

	As at 31 December 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Within 1 year	**—**	17,000
After 2 years but within 3 years	**—**	35,000
After 3 years but within 5 years	**5,100**	—
	5,100	52,000
Representing:		
Secured bank loans	**—**	12,000
Unsecured bank loans	**—**	5,000
Unsecured government loans	**5,100**	—
Unsecured equity shareholder's loan	**—**	35,000
	5,100	52,000

The above loans and borrowings were all denominated in RMB.

18. LOANS AND BORROWINGS *(Continued)*

(a) Loans and borrowings were repayable as follows: *(Continued)*

Interest rates per annum on the loans and borrowings were:

	As at 31 December 2008 (unaudited)	As at 31 December 2007 (audited)
Secured bank loans	—	8.31%
Unsecured bank loans	—	8.44%
Unsecured government loans	**0%**	—
Unsecured equity shareholder's loan	—	6.50%

(b) The above secured borrowings were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	As at 31 December 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Property, plant and equipment	—	1,068
Land use rights	—	2,521
	—	3,589

In addition, two directors of the Company, Messrs. Sin Ke and San Kwan, collectively provided personal guarantees in favour of a bank to guarantee the Group's secured bank loans amounting to RMB17,000,000 as at 31 December 2007. The personal guarantees provided by Messrs. Sin Ke and San Kwan have been fully released subsequent to 31 December 2007.

Unsecured bank loan as at 31 December 2007 was guaranteed by Quanzhou Zhongding Investment & Guaranty Co., Ltd. (泉州市中鼎擔保投資有限公司)*, an unrelated third party. The guarantee has been fully released subsequent to 31 December 2007.

* The English translation of the above company's name is for reference only. The official name of this company is in Chinese.

19. TRADE AND OTHER PAYABLES

	As at 31 December 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Trade payables	**24,248**	202
Other payables and accruals	**7,937**	5,425
	32,185	5,627

All of the trade and other payables are expected to be settled within one year. An ageing analysis of the trade payables of the Group is analysed as follows:

	As at 31 December 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Not past due	**24,248**	202

20. DEFERRED INCOME

Deferred income represents local government grant of RMB10 million received in 2008 for supporting the Group's investment in a concentrated fruit juice production plant. The grant will be recognised as income over the estimated useful lives of the production plant assets. As at 31 December 2008, the relevant assets are still under construction and no income has been recognised during the both periods ended 31 December 2008 and 2007.

21. SHARE-BASED PAYMENTS

A share option scheme was adopted pursuant to a written resolution of the shareholders of the Company passed on 7 June 2008 (the "Share Option Scheme").

The purpose of the Share Option Scheme is to recognise, motivate and provide incentives to those who make contribution to the Group and to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

21. SHARE-BASED PAYMENTS *(Continued)*

The qualified participants include (i) any full-time or part-time employee of any member of the Group; (ii) any consultant or adviser of any member of the Group; (iii) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (iv) any substantial shareholder of any member of the Group; and (v) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.

On 18 November 2008 (the "Grant Date"), the Company granted 39,000,000 share options with a subscription price of HKD0.75 per share to certain qualified participants, all of whom were employees of the Group.

(a) The terms and conditions of the grants that existed during the contractual life of these options are as follows, whereby all options are settled by physical delivery of shares:

	Number of options	Vesting condition and exercisable percentage condition	Up to %	Contractual life of options
Options granted to the employees of the Group on 18 November 2008	39,000,000	One year from the Grant Date	31.3	10 years
		Two years from the Grant Date	31.3	
		Three years from the Grant Date	37.4	

(b) The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price HKD	Number of options
Outstanding at 1 January 2008	—	—
Granted during the period	0.75	39,000,000
Lapsed during the period	—	—
Outstanding at 31 December 2008	0.75	39,000,000
Exercisable at 31 December 2008	—	Nil

No share option has been exercised during the twelve months ended 31 December 2008.

The options outstanding at 31 December 2008 had an exercise price of HKD0.75 and a remaining contractual life of 9.89 years.

21. SHARE-BASED PAYMENTS *(Continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial option pricing model. The contractual life of the options is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.

	At 18 November 2008 (Grant Date)
Fair value at measurement date	HKD11,899,000
Share price	HKD0.75
Exercise price	HKD0.75
Expected volatility	57.30%
Option life	10 years
Expected dividends	15%
Risk free interest rate	1.55%

The expected volatility was determined with reference to the volatilities of the comparable companies. The expected annual dividend yield was based on the projected dividend yield of shares of the Company as provided by management of the Company. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. The condition has not been taken into account in the Grant Date fair value measurement of the services received. There were no market conditions associated with the share option granted.

22. SHARE CAPITAL AND RESERVES

(a) The Group

	Attributable to equity shareholders of the Company (audited)								
	Share capital RMB'000 (note 22(c))	Share premium RMB'000 (note 22(d))	Capital reserve RMB'000 (note 22(e))	Statutory reserves RMB'000 (note 22(f))	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007	18,000	—	3,227	1,050	—	96,875	119,152	13,239	132,391
Profit for the year	—	—	—	—	—	62,818	62,818	7,031	69,849
Capital injection (i)	—	—	—	—	—	—	—	—	—
Arising on Reorganisation (ii)	(17,270)	17,270	—	—	—	—	—	—	—
Appropriation to statutory reserves	—	—	—	8,960	—	(8,960)	—	—	—
At 31 December 2007	730	17,270	3,227	10,010	—	150,733	181,970	20,270	202,240

	Attributable to equity shareholders of the Company (unaudited)								
	Share capital RMB'000 (note 22(c))	**Share premium RMB'000** (note 22(d))	**Capital reserve RMB'000** (note 22(e))	**Statutory reserves RMB'000** (note 22(f))	**Exchange reserve RMB'000**	**Retained earnings RMB'000**	**Total RMB'000**	**Minority interests RMB'000**	**Total equity RMB'000**
At 1 January 2008	**730**	**17,270**	**3,227**	**10,010**	**—**	**150,733**	**181,970**	**20,270**	**202,240**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**71,714**	**71,714**	**2,403**	**74,117**
Capital injection by minority shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,100**	**1,100**
Arising on Reorganisation (iii)	**71**	**(71)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Acquisition of minority interests (iv)	**89**	**23,332**	**358**	**—**	**—**	**—**	**23,779**	**(23,673)**	**106**
Waiver of an equity shareholder's loan (v)	**—**	**—**	**36,396**	**—**	**—**	**—**	**36,396**	**—**	**36,396**
Issue of shares on capitalisation of share premium account (vi)	**5,706**	**(5,706)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Issue of shares through Initial Public Offering (vii)	**2,195**	**136,074**	**—**	**—**	**—**	**—**	**138,269**	**—**	**138,269**
Share issue expenses (vii)	**—**	**(24,525)**	**—**	**—**	**—**	**—**	**(24,525)**	**—**	**(24,525)**
Appropriation to statutory reserves	**—**	**—**	**—**	**9,890**	**—**	**(9,890)**	**—**	**—**	**—**
Equity settled share-based payment (note 21)	**—**	**—**	**711**	**—**	**—**	**—**	**711**	**—**	**711**
Exchange difference on translation into presentation currency	**—**	**—**	**—**	**—**	**565**	**—**	**565**	**—**	**565**
At 31 December 2008	**8,791**	**146,374**	**40,692**	**19,900**	**565**	**212,557**	**428,879**	**100**	**428,979**

22. SHARE CAPITAL AND RESERVES *(Continued)*

(a) The Group *(Continued)*

(i) On 17 July 2007, Sunshine Vocal was incorporated with limited liability. On 12 October 2007, 1 share of USD1.00 in Sunshine Vocal, credited as fully paid, was allotted and issued to Mr. Hong Hong U, the Group's ultimate controlling equity shareholder.

(ii) On 22 October 2007, Potel Limited, a wholly owned subsidiary of Sunshine Vocal, acquired 90% equity interest in Summi Fujian at a consideration of RMB18,000,000, from Macau Dehong, a company wholly owned by Mr. Hong Hong U. On the same day, the amount owing to Macau Dehong of RMB18,000,000 was settled by the allotment of 99,999 shares of Sunshine Vocal of USD1.00 each (equivalent to RMB730,000 in total), credited as fully paid to Mr. Hong Hong U.

(iii) Pursuant to written resolutions of the board of directors of the Company passed on 22 May 2008, the Company acquired the entire equity interest in Sunshine Vocal by issuing 90,000,000 shares of HKD0.01 each (equivalent to RMB801,000 in total).

(iv) Prior to 20 December 2007, 10% equity interest in Summi Fujian was held by an unrelated domestic company in the PRC. On 20 December 2007, Quanzhou Yuansen acquired this 10% interest in Summi Fujian. On 29 December 2007, Quanzhou Yuansen sold this 10% interest at cost to Manwell (China) Limited, a wholly owned subsidiary of Rich Anges Limited.

Both Rich Anges Limited and Manwell (China) Limited were wholly owned by Mr. Sin Ke from their establishment date to 22 May 2008 and were not under the control of the Group's ultimate controlling equity shareholder, Mr. Hong Hong U until 22 May 2008, when Rich Anges Limited and Manwell (China) Limited were acquired by the Company as part of the Reorganisation. Accordingly the 10% equity interest in Summi Fujian held by Manwell (China) Limited has been presented as minority interests in the financial statements as at 31 December 2007.

Pursuant to a share transfer agreement, on 22 May 2008, the Company acquired the entire share capital of Rich Anges Limited by issuing 10,000,000 shares of HKD0.01 each (equivalent to RMB89,000 in total) to Mr. Sin Ke credited as fully paid. Accordingly, the allocation of the profit or loss for the periods attributable to minority interests presented on the face of the consolidated income statement is for the period from 1 January 2007 up to the date of acquisition of the minority interests.

The aggregated carrying amount of Rich Anges Limited and Manwell (China) Limited's net assets in the consolidated financial statements on the date of the acquisition was RMB106,000.

(v) On 2 June 2008, an equity shareholder's loan of RMB35,000,000 together with the accrued interest of RMB1,396,000 were waived by Mr. Hong Hong U and credited to the capital reserve of the Group.

22. SHARE CAPITAL AND RESERVES *(Continued)*

(a) The Group *(Continued)*

(vi) Pursuant to a written resolution of all the shareholders of the Company passed on 7 June 2008, 650,000,000 ordinary shares of HKD0.01 each in the Company were issued at par value on 10 July 2008 to the Company's existing shareholders as at 7 June 2008 by way of capitalisation of HKD6,500,000 (equivalent to RMB5,706,000) from the share premium account.

(vii) On 10 July 2008, 250,000,000 additional ordinary shares were issued and offered for subscription at a price of HKD0.63 per share upon the listing of the Company's shares on the Stock Exchange. Of the proceeds, RMB2,195,000, representing the par value of the shares, were credited to the Company's share capital. The remaining proceeds (net of share issue expenses) of RMB111,549,000 were credited to the share premium account.

(b) Authorised and issued share capital of the Company

	The Company	
	Number of shares	'000
Authorised:		
Ordinary shares of HKD0.01 each:		
At 5 February 2008	38,000,000	HKD380
Increase in authorised share capital	2,962,000,000	HKD29,620
At 31 December 2008	3,000,000,000	HKD30,000
Equivalent to:		RMB26,457
Ordinary shares, issued and fully paid:		
At 5 February 2008	—	—
Arising on Reorganisation (note 22(a)(iii))	90,000,000	RMB801
Acquisition of minority interests (note 22(a)(iv))	10,000,000	RMB89
Issue of shares on capitalisation of share premium account (note 22(a)(vi))	650,000,000	RMB5,706
Issue of shares through Initial Public Offering (note 22(a)(vii))	250,000,000	RMB2,195
At 31 December 2008	1,000,000,000	RMB8,791

22. SHARE CAPITAL AND RESERVES *(Continued)*

(b) Authorised and issued share capital of the Company *(Continued)*

The Company was incorporated in the Cayman Islands on 5 February 2008 with an authorised share capital of 38,000,000 shares of HKD0.01 each. One share of HKD0.01 was issued nil paid and allotted to the subscriber to the memorandum and articles of association of the Company and was transferred to Key Wise Group Limited on the same day.

On 22 May 2008, by a written resolution of all the shareholders of the Company, the authorised share capital of the Company was increased from HKD380,000 to HKD30,000,000 by the creation of additional 2,962,000,000 shares of HKD0.01 each, each ranking pari passu with the shares then in issue.

(c) Share capital

As disclosed in note 2, the Group's consolidated financial statements have been prepared under the merger accounting method and accordingly, financial statements of companies comprising the Group during the periods presented were consolidated as if the Group existed on 1 January 2007.

Share capital in the condensed consolidated balance sheet as at 31 December 2007 represented the aggregate amount of paid-in capital of the companies comprising the Group, after elimination of investments in subsidiaries.

Share capital in the condensed consolidated balance sheet as at 31 December 2008 represented the issued capital of the Company comprising 1,000,000,000 shares of HKD0.01 each (equivalent to RMB8,791,000 in total).

(d) Share premium

Share premium in the condensed consolidated balance sheet as at 31 December 2007 and 2008 represented the share premium of Sunshine Vocal and the Company, respectively.

The application of the share premium account of the Company is governed by the Companies Law of the Cayman Islands. The share premium is distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

22. SHARE CAPITAL AND RESERVES *(Continued)*

(e) Capital reserve

The capital reserve at 31 December 2008 represented the excess of paid-in capital of Summi Fujian of RMB3,585,000, the capital reserve of Sunshine Vocal in connection with the waiver of an equity shareholder's loan and related interest of RMB36,396,000 and the fair value of the actual or estimated number of unexercised share options granted by the Company recognised in accordance with the accounting policy adopted for share-based payments of RMB711,000.

The capital reserve at 31 December 2007 represented Sunshine Vocal's attributable share of the excess of paid-in capital of Summi Fujian.

(f) Statutory reserves

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the Group's PRC subsidiaries. Transfers to the reserves were approved by the boards of directors of these companies.

(i) Statutory surplus reserve

The Group's PRC subsidiaries are required to transfer no less than 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capitals. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(ii) Discretionary surplus reserve

The Group's PRC subsidiaries made appropriations to discretionary surplus reserve in accordance with their board of directors' resolutions.

(g) Distributable reserves

At 31 December 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB146,374,000.

22. SHARE CAPITAL AND RESERVES *(Continued)*

(h) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business. The directors define the capital of the Group as the total shareholders' equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure closely, and adjusts its level of loans and borrowings, trade and other payables and dividend payments to safeguard the Group's ability to continue as a going concern.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23. COMMITMENTS

(a) Capital commitments not provided for in the financial statements were as follows:

	As at 31 December 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Contracted for	**10,405**	1,002

(b) The total future minimum rental payments under non-cancellable operating leases are payable as follows:

	As at 31 December 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Within 1 year	**115**	150
After 1 year but within 5 years	**202**	497
	317	647

24. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

(a) Name and relationship with related parties

Transactions with the following parties are considered as related party transactions:

Name of party	Relationships
Mr. Hong Hong U	Controlling shareholder of the Company
Macau Dehong	A company wholly owned by Mr. Hong Hong U
Mr. Sin Ke	Member of key management personnel and brother-in-law of Mr. Hong Hong U
Riri (Quanzhou) Drink Co., Ltd.* 日日（泉州）飲料有限公司	A company owned by Ms. Hong Manna, who is the spouse of Mr. Sin Ke and is the sister of Mr. Hong Hong U
Mr. San Kwan	Brother of Mr. Sin Ke, a member of key management personnel
Mr. Hu Xu	A member of key management personnel
Mr. Hong Wenwei	Brother of Mr. Hong Hong U
Mr. Hong Yushu	Brother of Mr. Hong Hong U

* The English translation of the company name of this entity is for reference only. The official name of this entity is in Chinese. Ms. Hong Manna transferred her 100% equity interest in Riri (Quanzhou) Drink Co., Ltd. to an independent third party on 13 December 2007.

24. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant non-recurring related party transactions *(Continued)*

Particulars of significant non-recurring related party transactions are as follows:

(i) Sale of concentrated orange juice

	Six months ended 31 December		Twelve months ended 31 December	
	2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)	**2008 RMB'000 (unaudited)**	2007 RMB'000 (audited)
Riri (Quanzhou) Drink Co., Ltd.	**—**	82	**—**	3,241

The directors of the Company are of the opinion that the above transactions with related party were conducted on normal commercial terms with reference to comparable market prices and in the ordinary course of business.

(ii) Bank loan guarantee collectively provided by

	As at 31 December 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Messrs. Sin Ke and San Kwan	**—**	17,000

(iii) Waiver of an equity shareholder's loan and related interest by

	Six months ended 31 December		Twelve months ended 31 December	
	2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)	**2008 RMB'000 (unaudited)**	2007 RMB'000 (audited)
Mr. Hong Hong U	**—**	—	**36,396**	—

24. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant non-recurring related party transactions *(Continued)*

(iv) Acquisition of minority interests from

	Six months ended 31 December		Twelve months ended 31 December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Mr. Sin Ke	**—**	—	**23,673**	—

25. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD FROM 1 JANUARY 2008 TO 30 JUNE 2009

At the date of this interim financial statements, the IASB has issued the following IFRSs and interpretations which are not yet effective for the financial year beginning 1 January 2008. The Group has not early adopted these IFRSs and interpretations in the preparation of the financial statements.

	Effective for accounting periods beginning on or after
IFRIC 13, *Customer loyalty programmes*	1 July 2008
IFRIC 16, *Hedges of a net investment in a foreign operation*	1 October 2008
IFRIC 15, *Agreements for the construction of real estate*	1 January 2009
IFRS 8, *Operating segments*	1 January 2009
Revised IAS 1, *Presentation of financial statements*	1 January 2009
Revised IAS 23, *Borrowing costs*	1 January 2009
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards, and IAS 27, Consolidated and separate financial statements — Cost of an investment in a subsidiary, jointly-controlled entity or associate*	1 January 2009
Amendment to IFRS 2, *Share-based payment — Vesting conditions and cancellations*	1 January 2009
Amendments to IFRS 7, *Financial instruments: Disclosures - Improving disclosures about financial instruments*	1 January 2009

25. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD FROM 1 JANUARY 2008 TO 30 JUNE 2009 *(Continued)*

	Effective for accounting periods beginning on or after
Amendments to IAS 32, *Financial instruments: Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation*	1 January 2009
Improvements to IFRSs	1 January 2009 or 1 July 2009
Revised IFRS 1, *First-time adoption of International Financial Reporting Standards* • Basis for conclusions on revised IFRS 1, *First-time adoption of International Financial Reporting Standards* • Implementation guidance on revised IFRS 1, *First-time adoption of International Financial Reporting Standards*	1 July 2009
Revised IFRS 3, *Business combinations*	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 July 2009
Amendments to IAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendment to IAS 39, *Financial instruments: Recognition and measurement - Eligible hedged items*	1 July 2009
IFRIC 17, *Distributions of non-cash assets to owners*	1 July 2009
IFRIC 18, *Transfers of assets from customers*	Applied to transfers of assets from customers received on or after 1 July 2009

The directors have confirmed that the above IFRSs and interpretations do not have a significant impact on how the results of operations and financial position for the twelve months ended 31 December 2008 are prepared and presented. These IFRSs and interpretations may result in changes in the future as to how the results and financial position of the Group are prepared and presented.