Growing Healthier
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# 2012/2013 INTERIM REPORT

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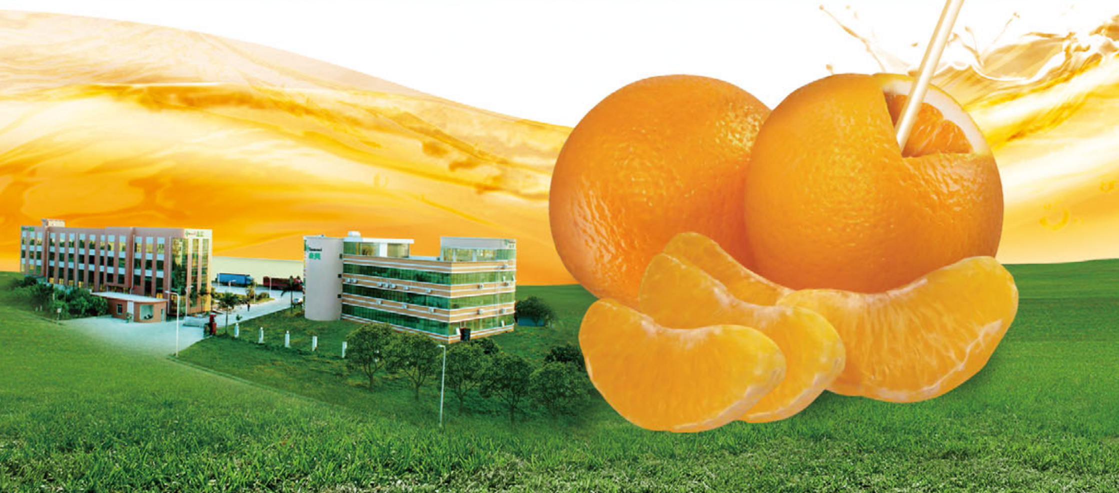
# 中國天溢控股有限公司
# China Tianyi Holdings Limited

formerly known as Tianyi Fruit Holdings Limited
(incorporated in the Cayman Islands with limited liability)
Stock Code: 00756



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# CORPORATE INFORMATION

## DIRECTORS

**Executive Directors**

Mr. Sin Ke *(Chairman and President)*
Mr. San Kwan

**Non-Executive Director**

Mr. Chen Qiuming *(appointed on 5 July 2012)*

**Independent Non-Executive Directors**

Mr. Zhuang Xueyuan
Mr. Zhuang Weidong
Mr. Zeng Jianzhong

## COMPANY SECRETARY

Ms. Leung Pui Shan *HKICPA*

## AUTHORISED REPRESENTATIVES

Mr. San Kwan
Ms. Leung Pui Shan *HKICPA*

## AUDIT COMMITTEE

Mr. Zhuang Xueyuan *(Chairman)*
Mr. Zhuang Weidong
Mr. Zeng Jianzhong

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Mr. Sin Ke *(Chairman)*
Mr. Zhuang Weidong
Mr. Zeng Jianzhong

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2311, Tower One, Times Square
1 Matheson Street, Causeway Bay, Hong Kong

## REGISTERED OFFICE

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

## AUDITORS

SHINEWING (HK) CPA Limited

## LEGAL ADVISORS AS TO HONG KONG LAWS

Loong & Yeung

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Xiamen International Bank
Agricultural Bank of China
Bank of China (H.K.)

## 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 REGISTRAR 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 SUMMARY

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012 (UNAUDITED)*

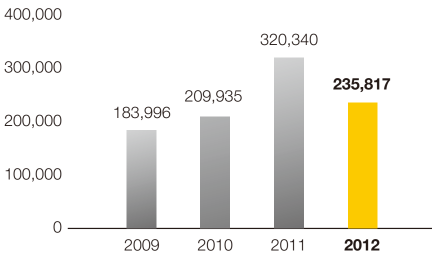
## KEY FINANCIAL RATIOS AND STATISTICS

| | **31 December 2012 RMB'000** | 31 December 2011 RMB'000 | Change % (Approximate) |
|---|---|---|---|
| **Statement of comprehensive income** | | | |
| Revenue | **235,817** | 320,340 | -26.4% |
| Gross profit | **78,988** | 99,770 | -20.8% |
| Profit for the year | **61,301** | 175,035 | -65.0% |
| Basic EPS (RMB cents) | **5.07** | 14.61 | -65.3% |
| Return on equity ("ROE") | **4.6%** | 17.1% | – |

| | **31 December 2012 RMB'000** | 30 June 2012 RMB'000 (audited) | Change % (Approximate) |
|---|---|---|---|
| **Statement of financial position** | | | |
| Cash and cash equivalents | **350,516** | 513,199 | -31.7% |
| Secured bank loans | **205,790** | 143,740 | 43.2% |
| Convertible bonds | **190,024** | 181,731 | 4.6% |
| Net assets value ("NAV") | **1,349,565** | 1,287,216 | 4.8% |
| Current ratio (x) | **2.9** | 4.7 | – |
| NAV per share (RMB) | **1.1** | 1.1 | – |

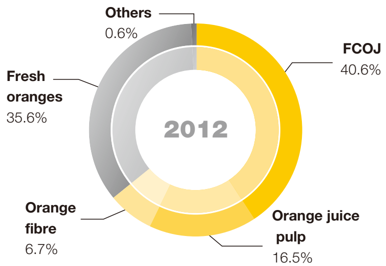
## REVENUE

*FOR THE SIX MONTHS ENDED 31 DECEMBER*
(RMB'000)



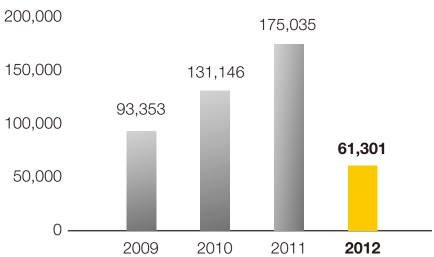

## REVENUE BREAKDOWN

*FOR THE SIX MONTHS ENDED 31 DECEMBER*
(Approximate percentage)



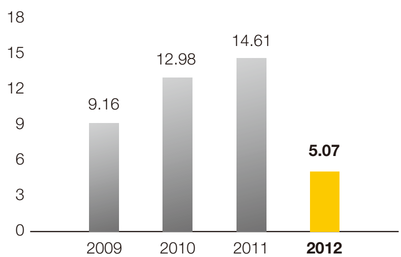

## NET PROFIT

*FOR THE SIX MONTHS ENDED 31 DECEMBER*
(RMB'000)




## BASIC EPS

*FOR THE SIX MONTHS ENDED 31 DECEMBER*
(RMB cents)



# CHAIRMAN'S STATEMENT

I am very pleased to present to the shareholders (the "Shareholders") of China Tianyi Holdings Limited (the "Company") the unaudited interim report of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2012 (the "Reporting Period").

Looking back the year 2012, the significant fluctuation in the futures price of international frozen concentrated orange juice ("FCOJ") resulted in the change of ways to sign the sales contract with the major customers of the Group, and subsequently deferred the shipping and realisation of sales of the Group during the Reporting Period. Notwithstanding the aforesaid changes regarding the ways to sign the sales contract, the consumer demand of FCOJ will grow together with the better standards of living of people. Therefore, I remain confident in the Group's future prospects and will continue to develop our core business, in order to strengthen the Group's leading position in the FCOJ market.

During the Reporting Period, the Group's revenue decreased by approximately 26.4% from the same period last year to approximately RMB235,817,000; gross profit margin was approximately 33.5% for the Reporting Period and approximately 31.1% for the same period last year; net profit decreased by approximately 65.0% from the same period last year to approximately RMB61,301,000.

## STRATEGY OVERVIEW

With the benefit from today's per capita spending power and better standards of living of Chinese people, the demand of domestic sales continuously increased. Orange juice is the major category among the juice beverage product. With the steady growth in the Chinese juice beverage market in recent years, there will be a bright future for the orange juice market.

**Robust Domestic Market Demand** – China's economy is transforming from the external demand-driven market to the domestic demand-driven and consumption-oriented market. Orange juice contains variety of nutrition value, and these attract Chinese people to pursue for green and healthy food. Eventually, the Chinese beverage market continues to grow. The demand of green and healthy food creates a development opportunity for the concentrated orange juice market in the future. This also attracts the world's leading beverage manufacturers to increase their investment in the China market. Being a leader in the China FCOJ industry, the Group's high quality products can satisfy the customers' requirements. Also, in terms of product development, the Group can establish a long-term strategic relationship with high-quality customers.

**Quality Recongised by International Brands** – The Group pays high attention to product quality and safety. The Group has gained high recognition from both domestic and international renowned beverage manufactures for the selected types of orange saplings and fertilising and growing process. In addition, the Group has set up a strict testing and production standards to manage the production process. These can ensure that the Group's production process is strictly complied with the international food safety production standards and the domestic environmental protection requirements.

# CHAIRMAN'S STATEMENT

**Supported by the Nation's Twelfth Five-Year Plan** – In the early 2012, "The Twelfth Five-Year Plan for Food Industry Development" (the "Plan") was jointly issued by the National Development and Reform Commission and the Ministry of Information Industry. It was stated in the Plan that Chongqing, Hubei and Sichuan were proposed to be the key areas for developing FCOJ business to cope with consumption demand and facilitate an effective supply chain. In response to the call for "building a modern Chinese food industry featuring quality and safety, green ecology and amble supply to achieve a sustainable and healthy development" under the Plan, the Group continued to invest in its capital expenditure. An addition of RMB356,411,000 was invested during the Reporting Period for building the road and watering system in the new Chongqing plantations. And the first harvest is expected in 2014/2015. The Group's self-operated orange plantations (including both fruit trees and non-cultivated land) increased from 95,000 mu in last year to 165,000 mu. With the selected desirable saplings for cultivation, the supply of oranges for processing can be expanded. Despite seeking the opportunity of new acquisition, the Group will continue to expand its production capacity of the plantations and processing plants, in order to maintain the leading position in the industry.

## GRANT OF SHARE OPTIONS

Pursuant to the share option scheme (the "Scheme") adopted by the Company on 7 June 2008 and refreshed at the annual general meeting held on 5 November 2012, the board (the "Board") of directors (the "Directors") of the Company was authorised to grant the share options to qualified participants. The purpose of the Scheme is to provide additional incentive in order to attract and retain qualified personnel, as well as to promote the success of the Group. After the refreshment of the Scheme, the Company granted 62,400,000 share options to qualified participants on 4 January 2013.

## INTERIM DIVIDENDS

For the interim period, an interim dividend of HK$1.5 cents per share in respect of the six months ended 31 December 2012 (31 December 2011: nil) was declared and to be paid to the owners of the Company on or about 10 May 2013.

## INVESTOR RELATIONS

One of the main duties of the Board is to maintain good communications with the Shareholders and potential investors. The Group's management paid regular visits to domestic and overseas prestigious institutional investors and private client investment advisors, as well as attended investor conferences, in order to provide the Shareholders and potential investors a thorough understanding of the Group's strategy and the latest business development. It is hoped that by such communication, the Company can enhance the transparency and strength the relationships with investors.

# CHAIRMAN'S STATEMENT

## PROSPECTS

Looking to the future, the improvement of Chinese people's per capita income, consumption levels and awareness of health will turn the demand of beverage products to nutrition and healthy drinks. Thus, it is expected that the demand of high quality juice beverage will continue to increase. The juice beverage consumption of the Chinese people is still far behind the world's average consumption, and therefore, I believe that there is still room for the growth in demand for FCOJ in China.

With the implementation of agricultural development by the Chinese government, the green ecology, expansion of domestic demand, and the integration of the industry to improve the centralisation and competition of the business environment, the Group will face better business development and opportunities. The Group will capture every business opportunity to expand the production capacity and proactively seek opportunities for merger and acquisition of high quality concentrated orange juice processing facilities. At the same time, the Group will expand the existing plantation areas in order to stabilise the supply of high quality raw materials. The Group will actively approach the new customers and maintain the good business relationships with existing customers, in order to further expand the market share of concentrated orange juice.

Benefit from the agricultural policy and the attention to concentrated orange juice business by the Chinese government, the Group will continue to focus on the development of FCOJ business in order to enhance the competitiveness. The Board and I are confident about the prospects of the development of the Group and also the juice beverage industry. Our employees will also continue to sustain the development of the Group. Regarding this, I would like to extend my sincere gratitude to all our customers, the Shareholders, senior management and employees for their efforts.

**Sin Ke**
*Chairman*

Hong Kong, 26 February 2013

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is principally engaged in processing and selling of frozen concentrated orange juice ("FCOJ") and its related products, and selling of fresh oranges. FCOJ is the primary raw material for the production of orange juice beverages. According to the statistics issued by the China Beverage Industry Association (中國飲料工業協會), the Group is one of the leading producers in the FCOJ industry in China in terms of production volume.

With the improvement of Chinese standards of living, consumption and health consciousness, desire for high quality orange juice beverages has been increasing. The Chinese juice market is entering into a high-growth stage, however, when comparing with the Western countries, the FCOJ manufacturing industry in China is just in the initial stage of its development. Therefore, room for development of fruit juice beverage in China is enormous.

During this Reporting Period, the major customers of the Group has changed the ways to sign the sales contract for orange juice products from one annual contract to several short-term contracts every year as the result of the significant fluctuation in the futures price of international FCOJ. This leads to a subsequent deferral of the shipping and realisation of sales of the Group. However, benefiting from the rapid development of the beverage industry, the implementation of the PRC government's policies and the Group's dedicated efforts, turnover of the Group was increasing every year. With the completion of the strategic plan of production facilities in the three main orange plantations in China, the Group will capture every business opportunity and speed up its space in development to further enhance the production capacity and proactively seek opportunities, at home and abroad, for merger and acquisition of quality concentrated orange juice processing facilities. Meanwhile, the Group will accelerate the process of expanding the orange plantation area to ensure a sufficient supply of high quality raw materials for processing and costs reduction for maintaining its leading position in the PRC's FCOJ industry and providing a solid foundation for the Group's further expansion to the overseas markets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING PERFORMANCE

### Revenue

Breakdown of revenue by product for the six months ended 31 December 2012 and 2011 are set out as follows:

| | Six months ended 31 December (unaudited) | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | **RMB'000** | **Approximate percentage of total revenue** | RMB'000 | Approximate percentage of total revenue |
| Sales of orange juice products | | | | |
| – Sales of FCOJ | **95,739** | **40.6%** | 123,895 | 38.7% |
| – Sales of orange juice pulp | **38,953** | **16.5%** | 89,687 | 28.0% |
| – Sales of orange fibre | **15,877** | **6.7%** | 10,613 | 3.3% |
| – Others | **1,392** | **0.6%** | 2,400 | 0.7% |
| | **151,961** | **64.4%** | 226,595 | 70.7% |
| Sales of fresh oranges | **83,856** | **35.6%** | 93,745 | 29.3% |
| Total revenue | **235,817** | **100.0%** | 320,340 | 100.0% |

During the Reporting Period, the Group's revenue dropped from approximately RMB320,340,000 for the same period last year to approximately RMB235,817,000, representing an approximately 26.4% decrease.

Capitalising on the decline in the output of China's major orange producing areas and the effect of the deferral of the shipping and realisation of sales of the Group during the Reporting Period, the sales of the Group's concentrated orange juice products, including FCOJ, orange juice pulp and orange fibre, decreased from approximately RMB226,595,000 for the same period last year to approximately RMB151,961,000 for the Reporting Period. Sales of FCOJ dropped by approximately 22.7% from approximately RMB123,895,000 for the same period last year to approximately RMB95,739,000. Sales of orange juice pulp decreased by approximately 56.6% from approximately RMB89,687,000 for the same period last year to approximately RMB38,953,000. Sales of orange fibre significantly increased by approximately 49.6% from approximately RMB10,613,000 for the same period last year to approximately RMB15,877,000.

During the Reporting Period, there is a decrease in average selling price of fresh oranges. Therefore, sales of fresh oranges decreased by approximately 10.6% from approximately RMB93,745,000 for the same period last year to approximately RMB83,856,000.

# MANAGEMENT DISCUSSION AND ANALYSIS



The Group adopts an integrated business model and is one of the few concentrated orange juice processors operating its own upstream orange farms. It operates orange plantations with a total area of 165,000 mu (there are 55,000 mu and 20,000 mu of orange plantations with fruit trees in Chongqing province and Fujian province respectively, and 90,000 mu of plantations under construction in the Chongqing province). The Group uses the lower-grade oranges harvested from these plantations as raw materials for producing FCOJ and its related products, whereas the remaining oranges of higher grade are sold fresh. In addition to its own plantations grown oranges, the Group also purchases oranges from independent third parties to produce FCOJ and its related products. The volume of oranges grew from the Group's own orange plantations and the volume of purchased oranges for the six months ended 31 December 2012 and 2011 are set out as follows:

| | **Six months ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | **approximate tonnes** | approximate tonnes |
| Output of oranges from own orange plantations | | |
| – Fresh oranges for sale | **81,170** | 69,004 |
| – Oranges for processing | **61,715** | 44,473 |
| | **142,885** | 113,477 |
| Purchased oranges for processing | **65,945** | 16,871 |
| Total | **208,830** | 130,348 |
| Area of own orange plantations | **75,000 mu** | 40,000 mu |
| Average output per mu | **1.9 tonnes** | 2.8 tonnes |
| Area of own orange plantations under construction | **90,000 mu** | 21,000 mu |
| Total area of own orange plantations | **165,000 mu** | 61,000 mu |

**Gross Profit**

During the Reporting Period, the Group's gross profit in the unaudited condensed consolidated statement of comprehensive income decreased by approximately 20.8% to approximately RMB78,988,000 as compared to approximately RMB99,770,000 for the same period last year, mainly due to the decrease in the sales volume of orange juice products.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Distribution Costs and Administrative Expenses

Distribution costs of the Group are mainly comprised of sales commission and transportation costs. The distribution costs decreased by approximately 20.7% from approximately RMB8,527,000 for the same period last year to approximately RMB6,764,000 for the Reporting Period. The decrease was primarily due to the shift of a large portion of transportation costs resulted from sales to the Group's customers.

The Group's administrative expenses mainly included general office administrative expenses, salaries and amortisation etc. The administrative expenses increased by approximately 45.4% from approximately RMB21,175,000 for the same period last year to approximately RMB30,780,000 for the Reporting Period mainly due to the increase in salaries and amortisation of the intangible assets during the Reporting Period.

### Net profit

During the Reporting Period, the Group's net profit dropped by approximately 65.0% to approximately RMB61,301,000 as compared to approximately RMB175,035,000 for the same period last year.

### Interim Dividend and Closure of the Register of Members

The Board has resolved to pay an interim dividend of HK$1.5 cents per share in respect of the Reporting Period (31 December 2011: nil). The interim dividend will be distributed on or about Friday, 10 May 2013 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 23 April 2013.

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from 22 April 2013 to 23 April 2013 (both days inclusive) during which period no share transfer will be effected. To be qualified for the interim dividend, all unregistered transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 19 April 2013.

## LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

### Liquidity

As at 31 December 2012, current assets amounted to approximately RMB729,401,000 (30 June 2012: approximately RMB796,631,000). Current liabilities were approximately RMB254,417,000 (30 June 2012: approximately RMB170,132,000).

### Financial Resources

As at 31 December 2012, the Group had cash and cash equivalents of approximately RMB350,516,000 (30 June 2012: approximately RMB513,199,000); total secured bank loans of RMB205,790,000 (30 June 2012: RMB143,740,000); and outstanding convertible bonds of approximately RMB190,024,000 (30 June 2012: approximately RMB181,731,000).

# MANAGEMENT DISCUSSION AND ANALYSIS



As at 31 December 2012, the Group had trade receivables of approximately RMB190,338,000 (30 June 2012: approximately RMB102,385,000) and inventories of approximately RMB100,397,000 (30 June 2012: approximately RMB33,892,000). The Group has a higher trade receivables and inventories as compared to 30 June 2012. This is possibly due to the volatility in FCOJ future price which delayed customers' regular purchase plans.

As at 31 December 2012, the total secured bank loans amounted to RMB205,790,000 (30 June 2012: RMB143,740,000), of which RMB143,690,000 was secured by cash deposited in offshore bank account (30 June 2012: RMB117,800,000). The secured bank loan of RMB2,650,000 was an interest-free entrusted bank loan granted by a local finance bureau in the PRC (30 June 2012: RMB5,100,000). The secured bank loan of RMB59,450,000 was pledged by the Group's assets (30 June 2012: RMB20,840,000).

The Board's approach to manage the Group's working capital is to ensure sufficient liquid assets to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group's reputation.

| | **As at 31 December 2012 (unaudited)** | As at 30 June 2012 (audited) |
|---|---|---|
| Quick ratio (x) | **2.4** | 4.0 |
| Current ratio (x) | **2.9** | 4.7 |
| Gearing ratio *(note (a))* | **29.3%** | 25.3% |

*note (a)* Gearing ratio is defined as sum of secured bank loans and convertible bonds over total equity.

**Capital Structure**

As at 31 December 2012, the total number of issued shares was 1,208,672,727 Shares. Based on the closing price of HK$1.14 per Share as at 31 December 2012, the Company's market value as at 31 December 2012 was HK$1,377,886,909, the total amount of equity was RMB1,349,565,000.

On 18 May 2012, the Company issued the 3.5% coupon convertible bonds in an aggregate principal amount of HK$232,800,000 to be due on the third anniversary of the date of issue to CITIC Capital China Access Fund Limited (the "2012 Convertible Bonds"), details of which are set out in the announcements of the Company dated 9 May 2012 and 18 May 2012.

On 31 December 2012, the Company has the 2012 Convertible Bonds with the outstanding principal amount of HK$232,800,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FOREIGN EXCHANGE EXPOSURE

The Group's sales and purchases were dominated in RMB. As such, the Group has limited exposure to any significant foreign currency exchange risks. The Board does not expect any material impact on the Group's operations caused by any foreign currency fluctuations. No financial instruments were employed by the Group for hedging purpose during the Reporting Period.

## CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to approximately RMB356,411,000 (30 June 2012: approximately RMB386,466,000) which was used for acquisition of properties, plants, equipment and lease prepayments for orange plantations.

## PLEDGE OF ASSETS

As at 31 December 2012, the Group pledged property, plant and equipment of approximately RMB79,272,000 (30 June 2012: approximately RMB65,227,000), land use rights of approximately RMB7,646,000 (30 June 2012: approximately RMB7,646,000) and bank deposits of approximately RMB120,350,000 (30 June 2012: approximately RMB122,900,000) to secure the bank loans granted to the Group.

## CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no material contingent liabilities (30 June 2012: nil).

## HUMAN RESOURCES

As at 31 December 2012, the Group employed 931 employees (31 December 2011: 904 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme has been adopted on 7 June 2008 for, among others, the employees of the Group.

## SUBSEQUENT EVENTS

### Share Option Scheme

After the refreshment of the Scheme, the Company granted 62,400,000 share options to qualified participants on 4 January 2013. For details of the aforesaid grant of share options, please refer to the announcement of the Company dated 4 January 2013.

### Resignation of Chief Financial Officer

Mr. Hu Xu ("Mr. Hu") resigned as a chief financial officer due to the need to focus on his family affairs with effect from 1 March 2013.

Mr. Hu has confirmed that there is no disagreement with the Board and there are no matters which need to be brought to the attention of the shareholders of the Company in relation to his resignation.

The Board would like to express its gratitude to Mr. Hu for his contribution to the Company during his period of service.

# OTHER INFORMATION

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

As at 31 December 2012, 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 of Hong Kong Limited ("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 Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") are as follows:

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

| Name of Director and chief executive | Capacity/Nature | No. of Shares held/ interested in | Approximate percentage of issued share capital of the Company |
|---|---|---|---|
| Mr. Sin Ke ("Mr. Sin") | Interest of controlled corporations *(Note 2)* | 559,712,145 (L) | 46.30% |
| Mr. San Kwan | Beneficial owner | 2,600,000 (L) | 0.21% |
| Mr. Chen Qiuming ("Mr. Chen") | Investment manager *(Note 3)* | 116,908,755 (L) | 9.67% |
| Mr. Liao Yuang-whang | Beneficial owner | 1,060,000 (L) | 0.08% |

**2. Interests and short position in the underlying Shares**

| Name of Director | Capacity/Nature | No. of underlying Shares held/ interested in | Approximate percentage of issued share capital of the Company |
|---|---|---|---|
| Mr. Sin | Beneficial owner *(Note 4)* | 6,000,000 (L) | 0.50% |
| Mr. San Kwan | Beneficial owner *(Note 4)* | 5,400,000 (L) | 0.45% |

# OTHER INFORMATION

*Notes:*

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

2. Mr. Sin beneficially owned 51% interest in Cheer Sky Limited ("Cheer Sky") which beneficially owned 49% interest in Key Wise Group Limited ("Key Wise") which in turn, held 559,712,145 Shares. Therefore, Mr. Sin was deemed, or taken to be, interested in the 559,712,145 Shares held by Key Wise by virtue of the SFO.

3. Mr. Chen is the investment manager of Power Surge Limited which in turn, held 116,908,755 Shares. Therefore, Mr. Chen was deemed, or taken to be, interested in the 116,908,755 Shares held by Power Surge by virtue of 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 corporations

| Name of Director | Name of the associated corporation | Capacity/Nature | No. of shares held | Percentage of interest |
|---|---|---|---|---|
| Mr. Sin | Key Wise | Interest of controlled corporations and interest of spouse | 100,000 | 100% |

*Note:* Mr. Sin beneficially owned 51% interest in Cheer Sky which beneficially owned 49% interest in Key Wise. Ms. Hong Man Na, the spouse of Mr. Sin, beneficially owned 51% interest in Key Wise. Therefore, Mr. Sin was deemed, or taken to be, interested in all the shares in Key Wise which were owned by Cheer Sky and Ms. Hong Man Na under the SFO.

Save as disclosed above, as at 31 December 2012, 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.

# OTHER INFORMATION

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, 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 Shareholder | Capacity/Nature | No. of Shares/ underlying Shares held/ interested in | Approximate percentage of issued share capital of the Company |
|---|---|---|---|
| Key Wise | Beneficial owner | 559,712,145 (L) | 46.30% |
| Cheer Sky | Interest of controlled corporation *(Note 2)* | 559,712,145 (L) | 46.30% |
| Ms. Hong Man Na | Interest of controlled corporations and interest of spouse *(Note 3)* | 565,712,145 (L) | 46.80% |
| CITIC Capital Holdings Limited | Interest of controlled corporations *(Note 4)* | 123,174,603 (L) | 10.19% |
| CITIC Group Corporation | Interest of controlled corporations *(Note 4)* | 123,174,603 (L) | 10.19% |
| CITIC Limited | Interest of controlled corporations *(Note 4)* | 123,174,603 (L) | 10.19% |
| CITIC Capital China Access Fund Limited | Beneficial owner *(Note 4)* | 123,174,603 (L) | 10.19% |
| Credit Suisse Trust Limited | Trustee *(Note 5)* | 116,908,755 (L) | 9.67% |

# OTHER INFORMATION

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES *(Continued)*

| Name of Shareholder | Capacity/Nature | No. of Shares/ underlying Shares held/ interested in | Approximate percentage of issued share capital of the Company |
|---|---|---|---|
| Power Surge Limited | Interest of controlled corporation *(Note 5)* | 116,908,755 (L) | 9.67% |
| Shi Zhengrong | Founder of a discretionary trust *(Note 5)* | 116,908,755 (L) | 9.67% |

*Notes:*

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

2. Cheer Sky beneficially owned 49% interest in Key Wise and Key Wise held 559,712,145 Shares. Therefore, Cheer Sky was deemed, or taken to be, interested in the 559,712,145 Shares held by Key Wise by virtue of the SFO.

3. Ms. Hong Man Na beneficially owned 51% interest in Key Wise. Mr. Sin held share options to subscribe for 6,000,000 Shares. Ms. Hong Man Na is the spouse of Mr. Sin. Therefore, Ms. Hong Man Na was deemed, or taken to be, interested in the 559,712,145 Shares held by Key Wise and the share options to subscribe for 6,000,000 Shares held by Mr. Sin by virtue of the SFO.

4. As known to the Directors after making reasonable enquiry, CITIC Capital Holdings Limited wholly owned CITIC Capital Asset Management Limited which wholly owned CITIC Capital Investment Management (Cayman) Limited. CITIC Capital Investment Management (Cayman) Limited was the manager of CITIC Capital China Access Fund Limited. CITIC Capital China Access Fund Limited held the convertible bonds issued by the Company on 18 May 2012 which upon fully exercise of the conversion rights thereto (subject to adjustment), entitled CITIC Capital China Access Fund Limited to be allotted and issued with 123,174,603 Shares. Therefore, China Investment Corporation, CITIC Capital Holdings Limited, CITIC Group Corporation, CITIC Limited and CITIC Capital Investment Management (Cayman) Limited were deemed, or taken to be, interested in the 123,174,603 Shares in which CITIC Capital China Access Fund Limited was interested by virtue of the SFO.

5. Credit Suisse Trust Limited, as trustee of the trust of which Mr. Shi Zhengrong was the settlor, wholly owned Power Surge Limited which held 116,908,755 Shares. Therefore, Credit Suisse Trust Limited and Mr. Shi Zhengrong were deemed, or taken to be, interested in the 116,908,755 Shares held by Power Surge Limited by virtue of the SFO.

Save as disclosed above, and as at 31 December 2012, 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 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.

# OTHER INFORMATION

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the heading "Interests and short positions of the Directors and chief executives in shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## APPOINTMENT OF NON-EXECUTIVE DIRECTOR

Mr. Chen Qiuming has been appointed as a non-executive Director with effect from 5 July 2012. For details of the aforesaid appointment, please refer to the announcement of the Company dated 4 July 2012.

## CHANGE IN AUTHORISED REPRESENTATIVE AND COMPANY SECRETARY

Ms. Chan Ling resigned from the office of authorised representative and company secretary of the Company with effect from 19 November 2012 due to the need to concentrate on other personal development. Ms. Leung Pui Shan has been promoted and appointed as the authorised representative and company secretary of the Company with effect from 19 November 2012. For details of the aforesaid appointment, please refer to the announcement of the Company dated 19 November 2012.

# OTHER INFORMATION

## SHARE OPTION SCHEME

The status of the share options under the share option scheme of the Company (the "Scheme") from 1 July 2012 to 31 December 2012 is as follows:

| Category of participants | As at 1 July 2012 | Granted during the Reporting Period | Exercised during the Reporting Period | Cancelled/ Lapsed during the Reporting Period | As at 31 December 2012 | Date of grant of share options | 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$ |
|---|---|---|---|---|---|---|---|---|---|
| Director | | | | | | | | | |
| Mr. Sin Ke | 6,000,000 | – | – | – | 6,000,000 | 18 November 2008 | 10 years from the date of grant | 0.75 | 0.75 |
| Mr. San Kwan | 5,400,000 | – | – | – | 5,400,000 | 18 November 2008 | 10 years from the date of grant | 0.75 | 0.75 |
| Employees** | 2,700,000 | – | – | – | 2,700,000 | 18 November 2008 | 10 years from the date of grant | 0.75 | 0.75 |
| | 14,100,000 | | | | 14,100,000 | | | | |

* 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 9 employees of the Group being granted share options under the Scheme, all of them are not Directors, chief executive or substantial Shareholders or their respective associates.

# OTHER INFORMATION

## SHARE OPTION SCHEME *(Continued)*

The following table lists the vesting period of the share options granted on 18 November 2008 under the Scheme:

| | Name | No. of share options | Vesting period/Maximum percentage of options exercisable from the date of acceptance<br>0–12 months | 13–24 months | 25–36 months | After 36 months |
|---|---|---|---|---|---|---|
| Directors | Mr. Sin Ke | 6,000,000 | 0.00% | 33.33% | 66.67% | 100.00% |
| | Mr. San Kwan | 8,000,000 | 0.00% | 30.00% | 60.00% | 100.00% |
| Employees | | 25,000,000 | 0.00% | 31.20% | 62.40% | 100.00% |
| | | 39,000,000 | 0.00% | 31.28% | 62.56% | 100.00% |

The following table lists the vesting period of the share options granted on 11 October 2009 under the Scheme:

| | No. of share options | 0–12 months | 13–24 months | 25–36 months | After 36 months |
|---|---|---|---|---|---|
| Employee | 10,000,000 | 30% | 60% | 100% | 100% |

The scheme limit in respect of the grant of options to subscribe for Shares in the share capital of the Company under the Scheme has been refreshed by a resolution passed at the annual general meeting of the Company held on 5 November 2012. For details of the said refreshment of scheme limit, please refer to the circular and the announcement of the Company dated 25 September 2012 and 5 November 2012 respectively.

For further information of the share options, please refer to note 24 to the unaudited condensed consolidated financial statements.

# CORPORATE GOVERNANCE

The Company is committed to the principles of good corporate governance consistent with prudent management and enhancement of shareholder value, which emphasise transparency, accountability and independence.

Corporate governance practices adopted by the Company for the six months ended 31 December 2012 are in line with the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules. The Company has complied with all code provisions and, where applicable, the recommended best practices of the CG Code during the Reporting Period.

The Company is committed to achieving and maintaining standards of openness, probity and accountability. The general framework of our corporate governance practice is set out in our corporate governance report in the 2012 Annual Report of the Company, which is available on our website.

## THE BOARD

The Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. The role of the Chairman is separate from the Chief Executive Officer with a view to maintain an effective segregation of duties respecting management of the Board and the day-to-day management of the business.

The Company commits to continuously improving its corporate governance practices by periodic review to ensure that the Company meets the requirements of the CG Code.

## CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they had compiled with the Model Code and its code of conduct regarding directors' securities transactions during the Reporting Period.

## REMUNERATION COMMITTEE

The Company established the Remuneration Committee which is chaired by an independent non-executive Director, currently consists of one executive Director and one independent non-executive Director. The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive Directors, making recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management. No Director or any of his associates will involve in deciding his own remuneration.

# CORPORATE GOVERNANCE

## NOMINATION COMMITTEE

The Company established the Nomination Committee which is chaired by an executive Director, currently consists of two independent non-executive Directors. The roles and function of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, identifying individuals suitably qualified to become Board member and assessing the independence of independent non-executive Directors.

## AUDIT COMMITTEE

The Audit Committee consisted of three independent non-executive Directors. The roles and functions of the Audit Committee include reviewing the Company's financial information, reviewing and supervising the Company's financial reporting process and internal control procedures, nominating and monitoring external auditors and providing advice and comments to the Board.

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 interim results and the interim report of the Group for the six months ended 31 December 2012.

On behalf of the Board

**Sin Ke**
*Chairman*

Hong Kong, 26 February 2013

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

| | *Notes* | **Six months ended 31 December 2012 RMB'000 (unaudited)** | 2011 RMB'000 (unaudited) |
|---|---|---|---|
| **Revenue** | *4* | **235,817** | 320,340 |
| Cost of sales | *14* | **(156,829)** | (220,570) |
| **Gross profit** | | **78,988** | 99,770 |
| Gain from changes in fair value of biological assets less costs to sell | *15* | **36,670** | 108,511 |
| Other revenue | *4* | **4,485** | 8,801 |
| Distribution costs | | **(6,764)** | (8,527) |
| Administrative expenses | | **(30,780)** | (21,175) |
| Other expenses | | **(434)** | (58) |
| **Profit from operations** | | **82,165** | 187,322 |
| Finance costs | *5* | | |
| – Interest expenses | | **(6,719)** | (4,117) |
| – Imputed interest expenses on convertible bonds | | **(14,972)** | (7,849) |
| **Profit before tax** | *6* | **60,474** | 175,356 |
| Income tax credit (expense) | *7* | **827** | (321) |
| **Profit for the period attributable to owners of the Company** | | **61,301** | 175,035 |
| **Other comprehensive income** | | | |
| Exchange differences arising on translation of foreign operations | | **1,048** | 3 |
| **Total comprehensive income for the period attributable to owners of the Company** | | **62,349** | 175,038 |
| **Earnings per share** | *9* | | |
| – Basic (RMB cents) | | **5.07** | 14.61 |
| – Diluted (RMB cents) | | **4.59** | 14.06 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 31 DECEMBER 2012*

| | Notes | As at 31 December 2012 RMB'000 (unaudited) | As at 30 June 2012 RMB'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **228,971** | 235,088 |
| Land use rights | 11 | **18,177** | 18,384 |
| Lease prepayments for orange plantations | | **574,727** | 343,094 |
| Goodwill | 12 | **56,696** | 56,696 |
| Intangible assets | 13 | **116,246** | 120,448 |
| Pledged bank deposits | 18 | **117,800** | 120,350 |
| | | **1,112,617** | 894,060 |
| **Current assets** | | | |
| Inventories | 14 | **100,397** | 33,892 |
| Biological assets | 15 | **30,724** | 83,325 |
| Lease prepayments for orange plantations | | **23,552** | 48,178 |
| Trade receivables | 16 | **190,338** | 102,385 |
| Other receivables, deposits and prepayments | 17 | **31,324** | 13,102 |
| Pledged bank deposits | 18 | **2,550** | 2,550 |
| Cash and cash equivalents | 19 | **350,516** | 513,199 |
| | | **729,401** | 796,631 |
| **Current liabilities** | | | |
| Trade payables | 20 | **31,043** | 7,947 |
| Other payables and accruals | | **17,557** | 20,853 |
| Secured bank loans | 21 | **205,790** | 141,190 |
| Income tax payable | | **27** | 142 |
| | | **254,417** | 170,132 |
| **Net current assets** | | **474,984** | 626,499 |
| **Total assets less current liabilities** | | **1,587,601** | 1,520,559 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*AS AT 31 DECEMBER 2012*

| | *Notes* | **As at 31 December 2012 RMB'000 (unaudited)** | As at 30 June 2012 RMB'000 (audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Secured bank loans | *21* | **–** | 2,550 |
| Deferred income | *23* | **17,700** | 17,700 |
| Convertible bonds | *22* | **190,024** | 181,731 |
| Deferred tax liabilities | *26* | **30,312** | 31,362 |
| | | **238,036** | 233,343 |
| **Net assets** | | **1,349,565** | 1,287,216 |
| **Capital and reserves** | | | |
| Share capital | *27* | **10,501** | 10,501 |
| Reserves | *28* | **1,339,064** | 1,276,715 |
| **Total equity** | | **1,349,565** | 1,287,216 |

The unaudited condensed consolidated financial statements on pages 21 to 55 were approved and authorised for issue by the board of directors on 26 February 2013 and are signed on its behalf by:

**Sin Ke**
*Chairman*

**San Kwan**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 (UNAUDITED)*

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Share premium *(Note 28(a))* | Capital reserve | Statutory reserves *(Note 28(b))* | Exchange reserve | Retained profits | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 July 2011 | 8,971 | 165,961 | 61,395 | 38,810 | 331 | 514,268 | 789,736 |
| Profit for the period | – | – | – | – | – | 175,035 | 175,035 |
| Other comprehensive income for the period | | | | | | | |
| – Exchange differences arising on translation of foreign operations | – | – | – | – | 3 | – | 3 |
| Total comprehensive income for the period | – | – | – | – | 3 | 175,035 | 175,038 |
| Issuance of shares | 1,773 | 315,964 | – | – | – | – | 317,737 |
| Shares issued under share option scheme | – | – | 739 | – | – | – | 739 |
| At 31 December 2011 | 10,744 | 481,925 | 62,134 | 38,810 | 334 | 689,303 | 1,283,250 |

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012 (UNAUDITED)*

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Share premium *(Note 28(a))* | Capital reserve | Statutory reserves *(Note 28(b))* | Exchange reserve | Retained profits | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 July 2012 | 10,501 | 401,480 | 57,961 | 38,810 | 1,649 | 776,815 | 1,287,216 |
| Profit for the period | – | – | – | – | – | 61,301 | 61,301 |
| Other comprehensive income for the period | | | | | | | |
| – Exchange differences arising on translation of foreign operations | – | – | – | – | 1,048 | – | 1,048 |
| Total comprehensive income for the period | – | – | – | – | 1,048 | 61,301 | 62,349 |
| At 31 December 2012 | 10,501 | 401,480 | 57,961 | 38,810 | 2,697 | 838,116 | 1,349,565 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

| | Six months ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Cash (used in) generated from operations** | **(211,348)** | 18,863 |
| Income tax paid | **(338)** | (4,117) |
| **NET CASH (USED IN) FROM OPERATING ACTIVITIES** | **(211,686)** | 14,746 |
| **NET CASH (USED IN) FROM INVESTING ACTIVITIES** | **(3,459)** | 14,337 |
| **NET CASH FROM FINANCING ACTIVITIES** | **54,606** | 196 |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | **(160,539)** | 29,279 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | **513,199** | 555,996 |
| Effect of foreign exchange rate changes | **(2,144)** | 3 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash** | **350,516** | 585,278 |

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 1. GENERAL

China Tianyi Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the Annual Report. In the opinion of the directors of the Company (the "Directors"), its parent and ultimate holding company is Key Wise Group Limited, a company incorporated in the British Virgin Islands (the "BVI").

The Company and its subsidiaries (collectively, referred to as the "Group") are principally engaged in cultivation and selling of fresh oranges, manufacturing and selling of frozen concentrated orange juice ("FCOJ") and its related products.

The Company's functional currency is Hong Kong dollars ("HK$") while that for the major subsidiaries in the People's Republic of China (the "PRC") is Renminbi ("RMB"). As the operation of the Group is mainly held in the PRC, the Directors consider that it is appropriate to present the unaudited condensed consolidated financial statements in RMB.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for biological assets and financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 31 December 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2012.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current interim period, the Group has adopted the following new and revised IFRSs issued by the IASB.

| | |
|---|---|
| Amendments to IFRSs | Improvements to IFRSs issued in 2010 |
| Amendments to IFRS 1 | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| Amendments to IFRS 7 | Disclosures – Transfers of Financial Assets |
| International Accounting Standards ("IAS") 24 (as revised in 2009) | Related Party Disclosures |
| Amendments to International Financial Reporting Interpretation Committee ("IFRIC") – Interpretation ("Int") 14 | Prepayments of a Minimum Funding Requirement |

The adoption of these new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current interim period and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to IFRSs | Annual Improvements 2009-2011 Cycle[3] |
| Amendments to IFRS 1 | First-time Adoption of IFRSs – Government Loans[3] |
| Amendments to IFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities[3] |
| | Mandatory Effective Date of IFRS 9 and Transition Disclosures[5] |
| IFRS 9 | Financial Instruments[5] |
| IFRS 10 | Consolidated Financial Statements[3] |
| IFRS 11 | Joint Arrangements[3] |
| IFRS 12 | Disclosure of Interests in Other Entities[3] |
| IFRS 13 | Fair Value Measurement[3] |
| Amendments to IFRS 10, IFRS 11 and IFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[3] |

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

| | |
|---|---|
| Amendments to IAS 1 | Presentation of Items of Other Comprehensive Income[2] |
| Amendments to IAS 12 | Deferred Tax – Recovery of Underlying Assets[1] |
| IAS 19 (as revised in 2011) | Employee Benefits[3] |
| IAS 27 (as revised in 2011) | Separate Financial Statements[3] |
| IAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[3] |
| Amendments to IAS 32 | Offsetting Financial Assets and Financial Liabilities[4] |
| IFRIC – Int 20 | Stripping Costs in the Production Phase of a Surface Mine[3] |

[1] Effective for annual periods beginning on or after 1 January 2012
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2014
[5] Effective for annual periods beginning on or after 1 January 2015

The directors of the Company anticipate that the application of the new or revised standards will have no material impact on the results and the financial position of the Group.

## 3. SEGMENT INFORMATION

The Group determines its operating segments based on the information reported to the chief operating decision maker, being the most senior executive management of the Group, for making strategic decisions and assessing the performance of each operating segment. The segments are managed separately as each operating segment offers different products which require different production information to formulate different strategies. The Group's reportable and operating segments are organised as follows:

1. Plantation of agricultural produce – planting, cultivation and sale of fresh oranges

2. Production of processed fruits – manufacture and sale of FCOJ and its related products

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 3. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue, profit and expenditure by reportable and operating segment for the six months ended 31 December 2012 and 31 December 2011.

| | Plantation of agricultural produce RMB'000 | Production of processed fruits RMB'000 | Consolidated RMB'000 |
|---|---|---|---|
| **Six months ended 31 December 2012 (unaudited)** | | | |
| **Segment revenue** | | | |
| Sales to external customers | 83,150 | 152,667 | 235,817 |
| Intersegment sales | 33,943 | – | 33,943 |
| Segment revenue | 117,093 | 152,667 | 269,760 |
| Elimination | | | (33,943) |
| Consolidated revenue | | | 235,817 |
| **Segment results** | 26,441 | 59,422 | 85,863 |
| Unallocated gains | | | 3,579 |
| Corporate and other unallocated expenses | | | (7,277) |
| Finance costs | | | (21,691) |
| Profit before tax | | | 60,474 |

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 3. SEGMENT INFORMATION *(Continued)*

| | Plantation of agricultural produce RMB'000 | Production of processed fruits RMB'000 | Consolidated RMB'000 |
|---|---|---|---|
| **Six months ended 31 December 2011 (unaudited)** | | | |
| **Segment revenue** | | | |
| Sales to external customers | 93,746 | 226, 594 | 320,340 |
| Intersegment sales | 38,810 | – | 38,810 |
| Segment revenue | 132,556 | 226,594 | 359,150 |
| Elimination | | | (38,810) |
| Consolidated revenue | | | 320,340 |
| **Segment results** | 97,434 | 87,396 | 184,830 |
| Unallocated gains | | | 4,272 |
| Corporate and other unallocated expenses | | | (1,780) |
| Finance costs | | | (11,966) |
| Profit before tax | | | 175,356 |

The accounting policies of the reporting segment are identical to the Group's accounting policies.

Segment results represent the profit attributable to each segment without allocation of central administration costs, director's remuneration, bank interest income, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 3. SEGMENT INFORMATION *(Continued)*

The following table presents segment assets and segment liabilities of the Group's operating segments as at 31 December and 30 June 2012.

| | Plantation of agricultural produce RMB'000 | Production of processed fruits RMB'000 | Unallocated RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|
| **Segment assets** | | | | |
| At 31 December 2012 (unaudited) | 794,693 | 502,328 | 544,997 | 1,842,018 |
| At 30 June 2012 (audited) | 499,549 | 539,442 | 651,700 | 1,690,691 |
| **Segment liabilities** | | | | |
| At 31 December 2012 (unaudited) | 7,152 | 73,062 | 412,239 | 492,453 |
| At 30 June 2012 (audited) | 8,970 | 34,732 | 359,773 | 403,475 |

For the purposes of monitoring segment performances and allocating resources between segments:

(a) all assets are allocated to operating segments other than pledged bank deposits, cash and cash equivalents and certain other receivables which were managed in a centralised manner.

(b) all liabilities are allocated to operating segments other than secured bank loans, convertible bonds, tax payable, deferred tax liabilities and certain other payables which were managed in a centralised manner.

Inter-segment sales are charged at prevailing market rates.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 3. SEGMENT INFORMATION *(Continued)*

### Other segment information

| | Six months ended 31 December 2012 (unaudited) | | | |
|---|---|---|---|---|
| | Plantation of agricultural produce RMB'000 | Production of processed fruits RMB'000 | Unallocated RMB'000 | Consolidated RMB'000 |
| **Amounts included in the measure of segment profit or segment assets:** | | | | |
| Depreciation and amortisation *(note 1)* | 3 | 10,762 | 75 | 10,840 |
| Additions to non-current assets *(note 2)* | 212 | 4,511 | 5 | 4,728 |
| Write-off of inventories | 1,440 | – | – | 1,440 |
| Gain from changes in fair value of biological assets less costs to sell | (36,670) | – | – | (36,670) |
| **Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:** | | | | |
| Bank interest income | 17 | 1,026 | 2,536 | 3,579 |
| Finance costs | | | | |
| – Interest expenses | – | 6,719 | – | 6,719 |
| – Imputed interest expenses on convertible bonds *(note 3)* | – | – | 14,972 | 14,972 |
| Income tax credit | – | – | (827) | (827) |

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 3. SEGMENT INFORMATION *(Continued)*

**Other segment information** *(Continued)*

| | Six months ended 31 December 2011 (unaudited) | | | |
|---|---|---|---|---|
| | Plantation of agricultural produce RMB'000 | Production of processed fruits RMB'000 | Unallocated RMB'000 | Consolidated RMB'000 |
| **Amounts included in the measure of segment profit or segment assets:** | | | | |
| Depreciation and amortisation *(note 1)* | 3 | 6,743 | 102 | 6,848 |
| Additions to non-current assets *(note 2)* | – | 23,712 | 29 | 23,741 |
| Write-off of inventories | 2,208 | – | – | 2,208 |
| Gain from changes in fair value of biological assets less costs to sell | (108,511) | – | – | (108,511) |
| **Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:** | | | | |
| Bank interest income | 14 | 1,803 | 2,455 | 4,272 |
| Finance costs | | | | |
| – Interest expenses | – | 4,117 | – | 4,117 |
| – Imputed interest expenses on convertible bonds | – | – | 7,849 | 7,849 |
| Income tax expenses | – | 321 | – | 321 |

*Note 1:* Amount excluded amortisation of lease prepayments for orange plantations.

*Note 2:* Amount included property, plant and equipment, intangible assets and land use rights acquired from business combination and excluded additions to lease prepayments for orange plantations and pledged bank deposits.

*Note 3:* Amount included the 3.5% coupon per annum and non-cash amortisation expenses of newly issued convertible bonds of year 2012.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 3. SEGMENT INFORMATION *(Continued)*

**Other segment information** *(Continued)*

*Geographic information*

In view of the fact that the Group mainly operates in the PRC, no geographical segment information is presented.

*Revenue from major products*

The following is an analysis of the Group's revenue from its major products:

| | Six months ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Sales of orange juice products | | |
| – Sales of FCOJ | **95,739** | 123,895 |
| – Sales of orange juice pulp | **38,953** | 89,687 |
| – Sales of orange fibre | **15,877** | 10,613 |
| – Others | **1,392** | 2,400 |
| | **151,961** | 226,595 |
| Sales of fresh oranges | **83,856** | 93,745 |
| Total revenue | **235,817** | 320,340 |

*Information about major customers*

The Group has identified 2 customers (31 December 2011: 2) which individually represented over 10% of the Group's total external sales.

The sales to the major customers during the periods are as follows:

| | Six months ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Customer A[1] | **59,421** | 90,216 |
| Customer B[2] | **57,346** | 48,055 |

Customer A and Customer B accounted for approximately 25% (31 December 2011: approximately 28%) and approximately 24% (31 December 2011: approximately 15%) of total sales of the Group, respectively.

1 Revenue from production of processed fruits segment.

2 Revenue from plantation of agricultural produce segment.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 4. REVENUE AND OTHER REVENUE

Revenue represents the revenue arising on the sales of fresh oranges, FCOJ and its related products.

An analysis of other revenue is as follows:

| | Six months ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Bank interest income | **3,579** | 4,272 |
| Net foreign exchange gain | **889** | 3,369 |
| Others | **17** | 1,160 |
| | **4,485** | 8,801 |

## 5. FINANCE COSTS

| | Six months ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Interest expenses on secured bank loans wholly repayable within five years | **6,719** | 4,117 |
| Convertible bonds | | |
| – Interest expenses | **3,275** | – |
| – Imputed interest expenses *(Note 1)* | **11,697** | 7,849 |
| | **21,691** | 11,966 |

*Note 1:* Imputed interest expenses represented by the non-cash amortisation expenses of newly issued convertible bonds of year 2012. Details are set out in note 22.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 6. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging:

| | Six months ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Staff costs, including Directors' remuneration: | | |
| Wages, salaries and other benefits | **53,824** | 34,325 |
| Contributions to defined contribution plans | **4,005** | 3,052 |
| Equity-settled share based payment expenses | **–** | 739 |
| | **57,829** | 38,116 |
| Amortisation of land use rights | **207** | 150 |
| Amortisation of intangible assets | **4,202** | – |
| Depreciation of property, plant and equipment | **10,632** | 6,698 |
| Operating lease charges in respect of rented premises | **29,248** | 8,809 |

## 7. INCOME TAX (CREDIT) EXPENSE

| | Six months ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Current tax – PRC Enterprise Income Tax ("EIT")** | | |
| Provision for the period | **223** | 321 |
| **Deferred tax** | | |
| Reversal of temporary differences | **(1,050)** | – |
| Income tax (credit) expense | **(827)** | 321 |

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*



## 7. INCOME TAX (CREDIT) EXPENSE *(Continued)*

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profit subject to Hong Kong Profits Tax for both periods ended 31 December 2012 and 2011.

The provision for PRC EIT is based on the respective applicable rates on the estimated assessable income of the Company's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

With effect from 1 January 2011, the Company's subsidiaries which are responsible for orange juice production are exempt from EIT on profits from orange juice production, pursuant to Cai Shui [2008] No. 149 issued by the Ministry of Finance of the PRC. Accordingly, from 1 January 2011, certain subsidiaries of the Group in the PRC (i.e. cultivation and selling of self-cultivated fresh oranges and orange juice production) are exempt from EIT, subject to annual review by the local PRC tax authority of the Company's subsidiaries and any future changes in the relevant tax exemption policies or regulations. Before 1 January 2011, these subsidiaries are subject to EIT at 25% in the PRC.

The applicable income tax rate for the rest of the Group's operating subsidiaries in the PRC is 25% for the six months ended 31 December 2012 and 2011.

## 8. INTERIM DIVIDEND

For the interim period, an interim dividend of HK$1.5 cents per share in respect of the six months ended 31 December 2012 (31 December 2011: nil) was declared and to be paid to the owners of the Company on or about 10 May 2013. The interim dividend declared is not reflected as a dividend payable in these unaudited condensed consolidated financial statements, but will be reflected as an appropriated of contributed surplus for the year ended 30 June 2013.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

**Earnings**

| | Six months ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Earnings for the purpose of basic earnings per share | **61,301** | 175,035 |
| Effect of effective interest on the liability component of convertible bonds | **–** | 7,849 |
| Earnings for the purpose of diluted earnings per share | **61,301** | 182,884 |

The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

**Number of shares**

| | Six months ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,208,672,727** | 1,198,072,727 |
| Effect of deemed issue of shares under the conversion of convertible bonds | **123,174,603** | 24,700,000 |
| Effect of deemed issue of shares under the Company's share option scheme for nil consideration | **3,979,701** | 77,825,000 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,335,827,031** | 1,300,597,727 |

The calculation of diluted earnings per share for the six months ended 31 December 2012 and 2011 does not take into account the potential effect of the deemed conversion of certain convertible bonds into ordinary shares during the period as it has an anti-dilutive effect on the basic earnings per share amount for the period.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*



## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2012, the Group acquired items of plant and machinery with costs of RMB4,728,000. Apart from that, there are no significant acquisitions and disposals during the six months ended 31 December 2012.

As at 31 December 2012, the carrying value of the Group's buildings, plant and machinery of approximately RMB79,272,000 (30 June 2012: approximately RMB65,227,000) was pledged as security for the banking facilities granted to the Group.

## 11. LAND USE RIGHTS

| | RMB'000 |
|---|---|
| **COST** | |
| At 1 July 2012 and at 31 December 2012 | 20,268 |
| **ACCUMULATED AMORTISATION** | |
| At 1 July 2012 | 1,884 |
| Provided for the period | 207 |
| At 31 December 2012 | 2,091 |
| **CARRYING VALUES** | |
| At 31 December 2012 (unaudited) | 18,177 |
| At 30 June 2012 (audited) | 18,384 |

All the Group's land use rights relate to lands located in the PRC under medium-term lease.

As at 31 December 2012, the carrying value of the Group's land use rights of approximately RMB7,646,000 (30 June 2012: approximately RMB7,646,000) was pledged as security for the banking facilities granted to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 12. GOODWILL

| | RMB'000 |
|---|---|
| Arising on acquisition of subsidiaries: | |
| At 30 June 2012 and 31 December 2012 | 56,696 |

On 9 November 2011, the Group acquired entire equity interest in Global One Management Limited and its subsidiaries and goodwill of approximately RMB56,696,000 was recognised upon acquisition.

## 13. INTANGIBLE ASSETS

| | Customer list RMB'000 | Customer relationship RMB'000 | Total RMB'000 |
|---|---|---|---|
| **COST** | | | |
| Acquired upon acquisition of subsidiaries and at 30 June 2012 and 31 December 2012 | 82,390 | 43,660 | 126,050 |
| **ACCUMULATED AMORTISATION** | | | |
| At 30 June 2012 and 1 July 2012 | (3,662) | (1,940) | (5,602) |
| Provided for the six months ended | (2,747) | (1,455) | (4,202) |
| At 31 December 2012 | (6,409) | (3,395) | (9,804) |
| **CARRYING VALUES** | | | |
| At 31 December 2012 (unaudited) | 75,981 | 40,265 | 116,246 |
| At 30 June 2012 (audited) | 78,728 | 41,720 | 120,448 |

Customer list and customer relationship have a finite useful life and are amortised on a straight-line basis over 15 years.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 14. INVENTORIES

| | As at 31 December 2012 RMB'000 (unaudited) | As at 30 June 2012 RMB'000 (audited) |
|---|---|---|
| FCOJ | **52,253** | 28,347 |
| Orange juice pulp | **426** | 4,416 |
| Orange fibre | **36** | 40 |
| Fresh oranges | **35,894** | – |
| Consumables and packing materials | **11,788** | 1,089 |
| | **100,397** | 33,892 |

The amount of inventories recognised as an expense and included in profit and loss is as follows:

| | Six months ended 31 December 2012 RMB'000 (unaudited) | 2011 RMB'000 (unaudited) |
|---|---|---|
| Carrying amount of inventories sold | **155,389** | 218,362 |
| Write-off of inventories | **1,440** | 2,208 |
| Cost of inventories recognised as cost of sales | **156,829** | 220,570 |

Production quantities of agricultural produce are as follows:

| | Six months ended 31 December 2012 Tonnes (unaudited) | 2011 Tonnes (unaudited) |
|---|---|---|
| Oranges | **142,885** | 113,477 |

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 15. BIOLOGICAL ASSETS

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

| | **As at 31 December 2012 RMB'000 (unaudited)** | As at 30 June 2012 RMB'000 (audited) |
|---|---|---|
| Beginning of the period/year | **83,325** | 46,335 |
| Increase due to cultivation | **90,778** | 123,764 |
| Gain from changes in fair value less cost to sell *(note a)* | **36,670** | 108,511 |
| Harvested oranges transferred to inventories | **(180,049)** | (195,285) |
| End of the period/year *(note b)* | **30,724** | 83,325 |

*Notes:*

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

(b) All oranges are harvested annually and are harvested shortly before the calendar year end. The Directors consider that there was no active market for the oranges before harvest at the end of the reporting period. The present value of expected cash flows is not considered a reliable measure of their fair value due to the need for, and use of, subjective assumptions including weather condition, natural disaster and effectiveness of agricultural chemicals. As such, the Directors consider that the fair value of biological assets at the end of the reporting period cannot be measured reliably and no reliable alternative estimates exist to determine fair value. Therefore, biological assets continue to be stated at cost as at 31 December and 30 June 2012.

The carrying value of biological assets as at 31 December and 30 June 2012 represents cultivation costs incurred including fertilisers, pesticides, labour costs and orange farm rental costs.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 16. TRADE RECEIVABLES

The Group allows a credit period of 90 days (30 June 2012: 90 days) to its trade customers from the date of billing.

The following is an aged analysis of trade receivables based on the due dates at the end of the reporting period:

| | **As at 31 December 2012 RMB'000 (unaudited)** | As at 30 June 2012 RMB'000 (audited) |
|---|---|---|
| Neither past due nor impaired | **190,311** | 75,712 |
| Less than 3 months past due | **27** | 26,673 |
| More than 3 months but less than 12 months past due | **–** | – |
| 1 to 2 years past due | **–** | – |
| | **190,338** | 102,385 |

Trade receivables that were neither past due nor impaired related to a wide range of customers that have no recent history of default payment.

The Group did not hold any collateral over the trade receivables.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **As at 31 December 2012 RMB'000 (unaudited)** | As at 30 June 2012 RMB'000 (audited) |
|---|---|---|
| Other receivables | **17,468** | 10,476 |
| Deposits and prepayments | **13,856** | 2,626 |
| | **31,324** | 13,102 |

The Group and the Company did not hold any collateral over the other receivables.

## 18. PLEDGED BANK DEPOSITS

At 31 December 2012, the non-current portion of bank deposits of RMB117,800,000 (30 June 2012: RMB120,350,000) and three-year term deposits of RMB117,800,000 (30 June 2012: RMB117,800,000) pledged by one of the Company's subsidiaries in Hong Kong to secure an interest-bearing bank loan of RMB114,190,000 (30 June 2012: RMB114,190,000) for one of the Group's PRC subsidiaries. As at 31 December 2012, the current portion of bank deposits of RMB2,550,000 (30 June 2012: RMB2,550,000) is pledged to secure an interest-free entrusted bank loan of RMB2,550,000 (30 June 2012: RMB2,550,000).

The pledged bank deposits carry fixed interest rate ranging from 3.85% to 4.77% (30 June 2012: 3.85% to 4.77%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 19. CASH AND CASH EQUIVALENTS

| | **As at 31 December 2012 RMB'000 (unaudited)** | As at 30 June 2012 RMB'000 (audited) |
|---|---|---|
| Bank balances and cash | **350,516** | 513,199 |

At 31 December 2012, bank balances and cash of the Group denominated in RMB amounted to approximately RMB313,974,000 (30 June 2012: approximately RMB471,681,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB to other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business. The bank balances carry interest at market rates which ranges from 0.01% to 2% (30 June 2012: 0.001% to 1.6%) per annum.

## 20. TRADE PAYABLES

The Group has financial risk management policies in place to ensure all payables are settled within the credit timeframe. The average credit period on purchase is 90 days or on demand (30 June 2012: 90 days or on demand).

The following is an aged analysis of trade payables presented based on the due date at the end of the reporting period.

| | **As at 31 December 2012 RMB'000 (unaudited)** | As at 30 June 2012 RMB'000 (audited) |
|---|---|---|
| Due within 3 months or on demand | **31,043** | 7,947 |

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 21. SECURED BANK LOANS

| | **As at 31 December 2012 RMB'000 (unaudited)** | As at 30 June 2012 RMB'000 (audited) |
|---|---|---|
| Carrying amount repayable: | | |
| On demand or within one year | **205,790** | 141,190 |
| More than one year, but not exceeding two years | **–** | 2,550 |
| More than two years but not exceeding five years | **–** | – |
| | **205,790** | 143,740 |
| Less: Amounts shown under current liabilities | **(205,790)** | (141,190) |
| Amounts shown under non-current liabilities | **–** | 2,550 |

All the secured bank loans were denominated in RMB.

The secured bank loans at 31 December 2012 comprise an interest-free entrusted bank loan of RMB2,650,000 (30 June 2012: RMB5,100,000) extended by a local finance bureau of the PRC, in support of the Group's operations in agricultural industry, variable-rate bank loan of RMB178,690,000 (30 June 2012: RMB114,190,000) and fixed-rate bank loan of RMB24,450,000 (30 June 2012: RMB24,450,000).

At the end of the reporting period, the effective interest rates (which are also equal to contracted interest rates) on the Group's interest-bearing bank loans are as follows:

| | **As at 31 December 2012** | As at 30 June 2012 |
|---|---|---|
| Fixed-rate bank loans | **7.87%** | 7.87% |
| Variable-rate bank loans | **6.85%** | 6.85% |

At 31 December and 30 June 2012, bank loans were secured by certain assets of the Group. In addition, at 31 December and 30 June 2012, certain bank loans were guaranteed by the Director, Mr. Sin Ke.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 22. CONVERTIBLE BONDS

In May 2012, the Company issued HK$ settled convertible bonds with 3.5% coupon per annum due 2015 in the aggregate principal amount of HK$232,800,000 (the "CB") to an independent third party. The issue of the CB was completed on 18 May 2012.

The principal terms of the CB are as follows:

**(i) Optional conversion**

Each bond will, at the option of the bondholders, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 18 May 2012 up to and including 12 May 2015 into fully paid ordinary shares of the Company (the "Shares") with a par value of HK$0.01 each at a conversion price of HK$1.89 per share. A total of 123,174,603 Shares will be allotted and issued upon full conversion of the CB at the conversion price with HK$ principal amount of the CB.

**(ii) Redemption at maturity**

Unless previously redeemed, converted, or purchased and cancelled, the CB will be redeemed on 17 May 2015 at an amount equal to their HK$ principal amount multiplied by 137.5938%.

**(iii) Redemption at the option of the bondholders**

The Company will, at the option of any of the bondholders, redeem all or some of the CB at their HK$ principal amount multiplied by 137.5938% when there is a change of control of the Company, or when the Shares cease to be listed or admitted to trade on the Stock Exchange.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 22. CONVERTIBLE BONDS *(Continued)*

| | Equity component RMB'000 | Liability component RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 30 June and 1 July 2012 | 11,474 | 181,731 | 193,205 |
| Interest charged during the period | – | 14,972 | 14,972 |
| Interest paid | – | (3,275) | (3,275) |
| Exchange realignment | – | (3,404) | (3,404) |
| At 31 December 2012 | 11,474 | 190,024 | 201,498 |

No conversion of the convertible bond has occurred during the six months ended 31 December 2012.

## 23. DEFERRED INCOME

Deferred income represents local government grant received for supporting the Group's investment in a concentrated fruit juice production plant. The grant is recognised as other revenue over the estimated useful lives of the production plant assets.

| | RMB'000 |
|---|---|
| At 30 June and 31 December 2012 | 17,700 |

The Group received discretionary grants from various PRC government authorities in recognition of the Group's contribution to the development of the local agricultural industry and investment in a concentrated fruit juice production plant in Chongqing. 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.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 24. EQUITY-SETTLED SHARE BASED TRANSACTIONS

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"). Each option gives the holder the right to subscribe for one ordinary share of HK$0.01 each of the Company.

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.

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 Company granted 39,000,000 share options with a subscription price of HK$0.75 per share to certain qualified participants, all of whom were directors of the Company or full-time employees of the Group.

On 11 October 2009, the Company granted an additional 10,000,000 share options with a subscription price of HK$0.90 per share to an employee of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 24. EQUITY-SETTLED SHARE BASED TRANSACTIONS *(Continued)*

The terms and conditions of the grants are as follows:

| Date of options granted to the employees of the Group | Number of options | Exercise price | Vesting condition and exercisable percentage condition | Up to % | Expiry date of the share options |
|---|---|---|---|---|---|
| 18 November 2008 ("2008 Option") | 39,000,000 | HK$0.75 | 1 year from grant date | 31.3 | 17 November 2018 |
| | | | 2 years from grant date | 31.3 | |
| | | | 3 years from grant date | 37.4 | |
| 11 October 2009 ("2009 Option") | 10,000,000 | HK$0.90 | On the grant date | 30.0 | 10 October 2019 |
| | | | 1 year from grant date | 30.0 | |
| | | | 2 years from grant date | 40.0 | |
| Total options granted | 49,000,000 | | | | |

During the six months ended 31 December 2012 and 2011, no share options have been exercised, lapsed or cancelled.

The options outstanding at 31 December 2012 had a weighted average exercise price of HK$0.78 (30 June 2012: HK$0.75) and a weighted average remaining contractual life of 6.25 years (30 June 2012: 6.39 years).

## 25. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, of which the contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute 5% to 13% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 26. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities of the Group during the period were as follows:

| | Intangible assets RMB'000 | Undistributed retained profits of PRC subsidiaries RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 30 June and 1 July 2012 | 30,112 | 1,250 | 31,362 |
| Credited to profit or loss | (1,050) | – | (1,050) |
| At 31 December 2012 | 29,062 | 1,250 | 30,312 |

Pursuant to the EIT Law, 10% withholding tax is levied on foreign investors (5% for foreign investors registered in Hong Kong provided they meet certain criteria) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. At 31 December 2012, the Directors believed that should the Group determine to distribute profits of the Group's PRC subsidiaries in the foreseeable future, the Group will be able to obtain the approval for the preferential withholding tax of 5% in relation to the dividend income.

At 31 December 2012, deferred tax liabilities of RMB1,250,000 (30 June 2012: RMB1,250,000) 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, based on the assumption that the approval for the 5% preferential withholding tax rate will be obtained.

However, deferred tax liabilities associated with undistributed earnings of subsidiaries amounting to RMB771,218,000 (30 June 2012: RMB705,760,000) have not been recognised at 31 December 2012, as the Company controls the dividend policy of the Group's PRC subsidiaries and the Directors consider it probable that a portion of the undistributed profits earned by the Group's PRC subsidiaries as at 31 December 2012 will not be distributed in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 27. SHARE CAPITAL

| | Number of shares | Amount HK$'000 | Amount as presented RMB'000 |
|---|---|---|---|
| Ordinary shares of HK$0.01 each | | | |
| Authorised: | | | |
| At 30 June 2012 and 31 December 2012 | 3,000,000,000 | 30,000 | 26,376 |
| Issued and fully paid: | | | |
| At 30 June 2012 and 31 December 2012 | 1,208,672,727 | 12,087 | 10,501 |

All of the shares issued by the Company rank pari passu in all respects with other shares in issue.

## 28. RESERVES

**(a) Share premium**

The application of the share premium account is governed by the Companies Law of the Cayman Islands. The share premium is distributable.

**(b) 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 directors of these companies.

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 capital. 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 29. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks to secure the bank loans granted to the Group:

| | **As at 31 December 2012 RMB'000 (unaudited)** | As at 30 June 2012 RMB'000 (audited) |
|---|---|---|
| Property, plant and equipment | **79,272** | 65,227 |
| Land use rights | **7,646** | 7,646 |
| Pledged bank deposits | **120,350** | 122,900 |
| | **207,268** | 195,773 |

## 30. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its offices and orange plantations under operating lease arrangements. Lease are held for one to fifteen years.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | **As at 31 December 2012 RMB'000 (unaudited)** | As at 30 June 2012 RMB'000 (audited) |
|---|---|---|
| Within one year | **378** | 162 |
| In the second to fifth years, inclusive | **142,955** | 101,708 |
| After fifth years | **142,955** | 101,708 |
| | **286,288** | 203,578 |

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*

## 31. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

| | **As at 31 December 2012 RMB'000 (unaudited)** | As at 30 June 2012 RMB'000 (audited) |
|---|---|---|
| Contracted, but not provided for: | | |
| Purchase of property, plant and equipment | **21,239** | 21,125 |

## 32. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group has the following significant related party transactions.

(a) At 31 December 2012, the amount of the Company's payables to the subsidiaries of approximately RMB11,354,000 (30 June 2012: approximately RMB11,355,000) did not have fixed repayment dates and was unsecured and non-interest bearing. The Directors considered that these payables were not expected to be settled within one year.

(b) At 31 December 2012, the amount of the Company's receivables from the subsidiaries of approximately RM310,526,000 (30 June 2012: approximately RMB313,791,000) was unsecured, non-interest bearing and not expected to be settled within one year.

(c) During the six months ended 31 December 2012, key management personnel of the Group received compensation in the form of short-term employee benefits, post-employment benefits and share-based payment awards of RMB3,268,000 (30 June 2012: RMB7,950,000).

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2012*



## 33. COMPARATIVE FIGURES

The following comparative figures had been reclassified to conform to the presentations of the Group's annual financial statements for the year ended 30 June 2012 as the Directors consider the reclassification are more meaningful.

(i) Bank charges of approximately RMB101,000 was reclassified from finance costs to administrative expenses in the condensed consolidated statement of comprehensive income.

(ii) Net foreign exchange gain of approximately RMB3,369,000 and interest income of approximately RMB4,257,000 were reclassified from finance costs to other revenue in the condensed consolidated statement of comprehensive income.

As the reclassifications do not affect the condensed consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 July 2010.