森美關注全家人營養健康的頂級鮮榨果汁

2015
ANNUAL
# REPORT

Summi™

中國天溢控股有限公司

**China Tianyi Holdings Limited**

(incorporated in the Cayman Islands with limited liability)

Stock Code: 00756

# Contents

# Corporate Information



## DIRECTORS

### Executive Directors

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

### Non-Executive Director

Mr. Tsang Sze Wei, Claudius

### Independent Non-Executive Directors

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

## COMPANY SECRETARY

Ms. Leung Pui Shan *HKICPA* (resigned on 9 April 2015)
Mr. Lee Kwok Lun *HKICPA, ACCA* (appointed on 9 April 2015)

## AUTHORISED REPRESENTATIVES

Mr. San Kwan
Mr. Lee Kwok Lun *HKICPA, ACCA*

## 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

Suites 2003–2004, 20/F, 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

## AUDITOR

SHINEWING (HK) CPA Limited

## LEGAL ADVISORS AS TO HONG KONG LAWS

Loong & Yeung

## PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China (H.K.)
Cathay United Bank (Taiwan)
The Hongkong and Shanghai Banking Corporation
Luso International Banking Ltd.
Xiamen International Bank

## SHARE REGISTRAR IN HONG KONG

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

## SHARE 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

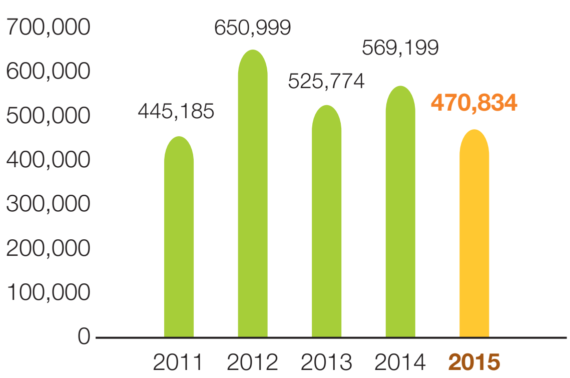
*FOR THE YEAR ENDED 30 JUNE 2015*

## FINANCIAL HIGHLIGHTS

| | 2015 RMB'000 | 2014 RMB'000 | Change % (Approximate) |
|---|---|---|---|
| **Consolidated statement of profit or loss and other comprehensive income** | | | |
| Revenue | **470,834** | 569,199 | -17.3% |
| Gross profit | **170,198** | 208,093 | -18.2% |
| Gross profit margin | **36.1%** | 36.6% | -0.5pp |
| EBITDA | **145,162** | 196,363 | -26.1% |
| Profit for the year | **78,025** | 116,869 | -33.2% |
| Basic EPS (RMB cents) | **6** | 9 | -33.3% |
| **Consolidated statement of financial position** | | | |
| Total cash and bank deposits | **612,922** | 683,822 | -10.4% |
| Inventories | **69,344** | 30,986 | 123.8% |
| Trade receivables | **78,590** | 38,205 | 105.7% |
| Bank loans | **544,794** | 410,490 | 32.7% |
| Convertible bonds | **–** | 229,930 | -100% |
| Net assets value ("NAV") | **1,645,701** | 1,561,638 | 5.4% |

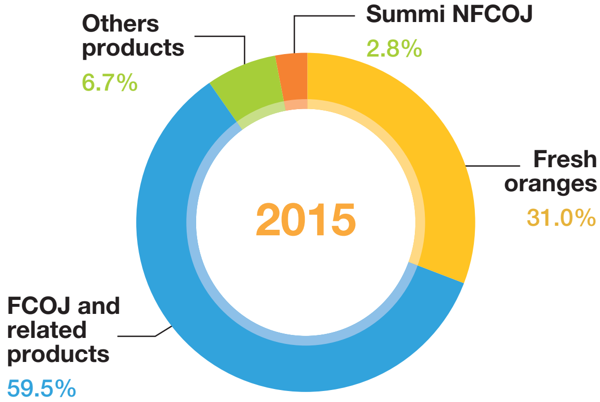
## REVENUE

(RMB'000)



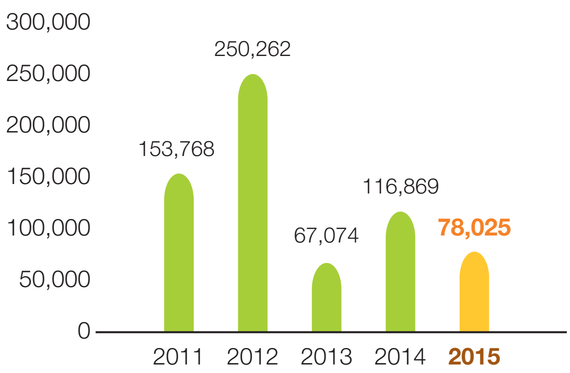

## REVENUE BREAKDOWN

(Approximate percentage)



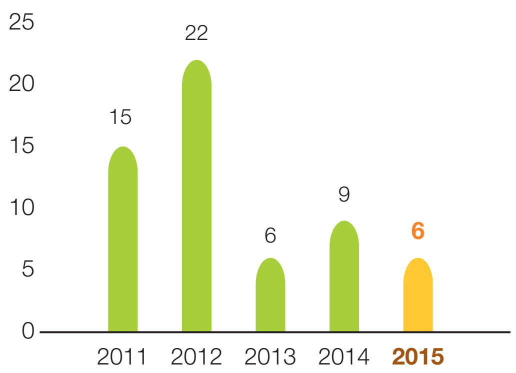

## NET PROFIT

(RMB'000)




## BASIC EPS

(RMB cents)

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# Chairman's Statement



I am very pleased to present to the shareholders (the "Shareholders") of China Tianyi Holdings Limited (the "Company") the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2015 (the "Reporting Period").

During the Reporting Period, as the futures price of international frozen concentrate orange juice ("FCOJ") remained at a lower level, in the face of the competition from Brazilian imported FCOJ and the poor performance of concentrate juice drinks in the domestic market of China, the sales volume of the Group's FCOJ recorded a decline. Nevertheless, being the leading enterprise of the FCOJ in China, the Group managed to maintain stable sales to the major customers during the Reporting Period by leveraging on its leading standard of production techniques.

On the other hand, the harvest volume of the Group's own plantations remained stable. However, despite benefiting from the continued upward trend in the price of fresh oranges, the increased proportion of oranges which were used for processing and had lower fair value in our harvest offset the relevant positive effect. During the Reporting Period, the sales of the orange plantation business amounted to approximately RMB146,069,000, representing a decrease of approximately 9.8% as compared with the same period last year. Nevertheless, with about 70,000 mu of plantations will commence operations by the end of 2016, the harvest volume will be increased significantly in the financial year of 2017.

The net profit of the Group for the Reporting Period amounted to approximately RMB78,025,000, representing a decrease of approximately 33.2% as compared with the same period last year. The decrease in the net profit for the Reporting Period was mainly due to a decrease in gross profit from approximately RMB208,093,000 for the last year to approximately RMB170,198,000 for this year.

## CRITICAL MOMENT OF BUSINESS TRANSFORMATION

Along with the continuous improvement in the present economic development and living standards in China and higher consumption and education levels of Chinese people, the market has begun to focus on the healthy, nutritional and safe beverage. In choosing beverage products, with increasing health awareness in recent years, consumers generally have become more willing to buy natural and additive-free drinks which are at a higher price.

The Group has actively responded to the market trends and officially launched its own brand "Summi" 100% freshly squeezed, not from concentrate orange juice ("Summi NFCOJ") to the retail market in China during the Reporting Period. The Group uses its advanced technologies to conduct comprehensive management on the whole production process from oranges selection, harvest, juicing to packaging, and being persistent on not having any additives, making in earnest the five promise of "no water, no sugar, no artificial flavouring, no coloring and no preservative" to the consumers. In the past several months since its launch, Summi NFCOJ has been well received by the market, the momentum of expanding domestic sales network has been satisfactory. The launch of Summi NFCOJ marked a milestone on the Group's transformation from a beverage raw material supplier to a brand retail enterprise, bringing higher investment value to the shareholders of the Company (the "Shareholders").

# Chairman's Statement

Looking ahead, the China's juice beverage industry will remain active, and the coming years will even be the critical moment of the restructuring of the beverage industry. Green healthy drinks will be the future beverage development focus in China. By virtue of the Group's abundant experience and strength of over 20 years as well as its reputation in the industry over the years, I have full confidence in the business of Summi NFC and believe that our professional team will be able to succeed.

## APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to every Shareholder, customers and business partners for their support. I would also like to thank our excellent management team and employees for their unremitting efforts. The Group will continue to enhance our core competence and strive to become the leading producer in the juice beverage industry in China.

**Sin Ke**
*Chairman*

Hong Kong, 15 September 2015

# Management Discussion and Analysis

## BUSINESS REVIEW AND PROSPECT

The Group is principally engaged in manufacturing and selling of Summi NFCOJ, FCOJ and its related products, including fresh oranges and orange peels. The Group has a total of five highly efficient production plants strategically located in China's major citrus growing areas (Chongqing, Fujian and Hunan). The Group adopts an integrated business model and is one of the few orange juice processors operating its own upstream orange farms.

Breakdown of revenue by product for the years ended 30 June 2015 and 2014 are set out as follows:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **RMB'000** | **Approximate percentage of total revenue** | RMB'000 | Approximate percentage of total revenue |
| FCOJ and related products | **280,044** | **59.5%** | 353,315 | 62.1% |
| Summi NFCOJ | **13,292** | **2.8%** | – | – |
| Fresh oranges | **146,069** | **31.0%** | 161,878 | 28.4% |
| Other products | **31,429** | **6.7%** | 54,006 | 9.5% |
| Total revenue | **470,834** | **100.0%** | 569,199 | 100.0% |

### FCOJ and related products

Breakdown of revenue by products within the FCOJ and related products segment for the years ended 30 June 2015 and 2014 are set out as follows:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| FCOJ | **171,349** | 252,884 |
| Orange Pulp | **94,267** | 88,255 |
| Orange Fibre | **14,428** | 12,176 |
| | **280,044** | 353,315 |

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The sales of the Group's FCOJ and related products included FCOJ, orange juice pulp and orange fibre. As the futures price of international FCOJ remained at a lower level, in the face of the competition from Brazilian imported FCOJ and the poor performance of concentrate juice drinks in the domestic market of China, the sales volume of the Group's FCOJ and related products recorded a decline. Nevertheless, being the leading enterprise of the FCOJ in China, the Group managed to maintain stable sales to the major customers during the Reporting Period by leveraging on its leading standard of production techniques. Sales volume of FCOJ and related products decreased from approximately 31,292 tonnes for the last year to approximately 27,350 tonnes for this financial year. The sales amounts decreased by approximately 20.7% from approximately RMB353,315,000 for the last year to approximately RMB280,044,000 for this year.

### Summi NFCOJ

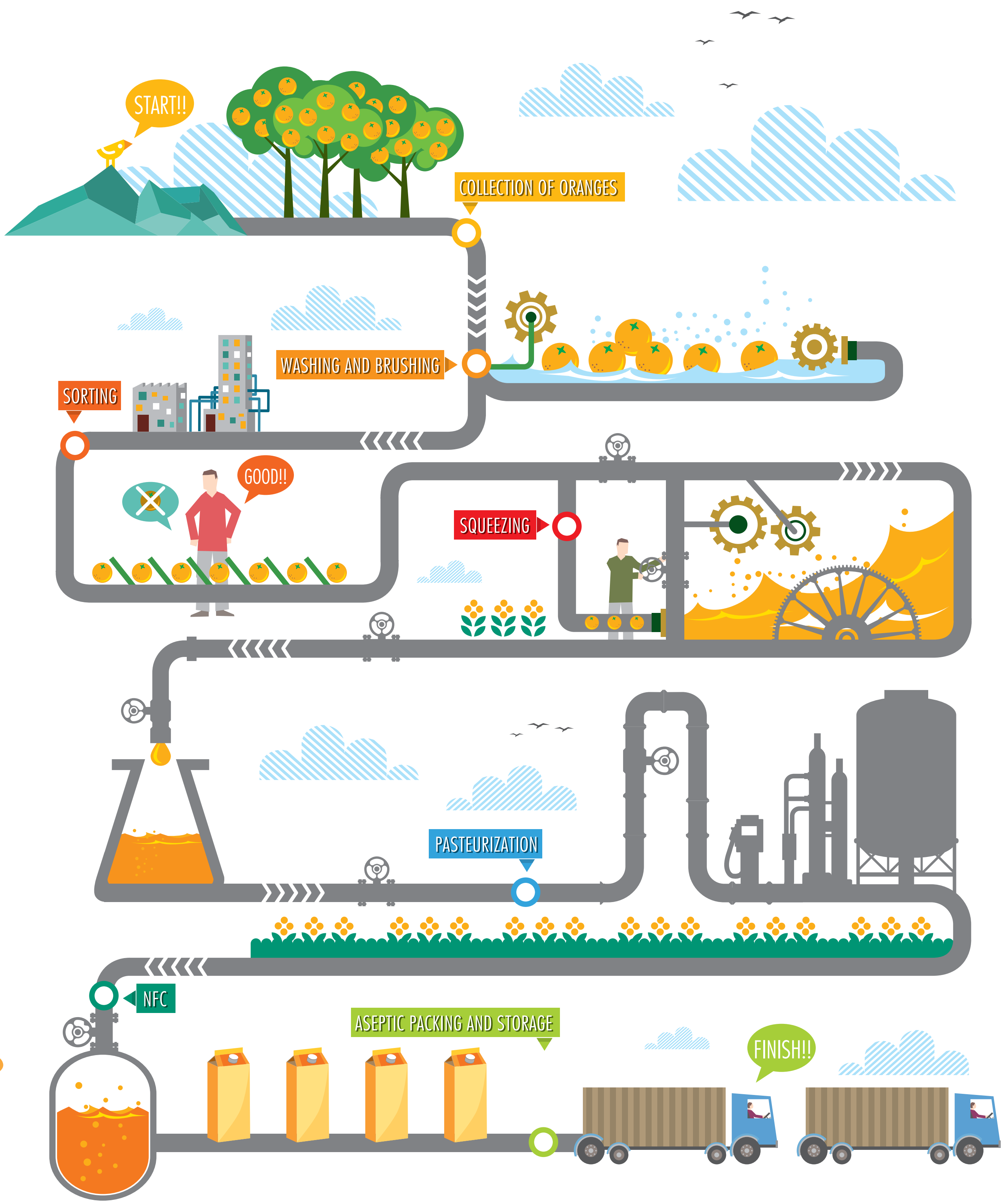
The Group has officially launched its own brand Summi NFCOJ to the retail market in China during the Reporting Period. Summi NFCOJ is an orange juice product that does not go through the concentration process, therefore it has higher nutrition than that of the concentrate orange juice and retains the original flavor of orange juice. During the Reporting Period, sales of Summi NFCOJ amounted to approximately RMB13,292,000.

### Fresh oranges

The Group operates approximately 146,000 mu (equivalent to approximately 97.3 $km^2$) of orange plantations with orange trees in Kaixian, Chongqing, and the oranges harvested from these plantations are used for selling as premium fresh oranges or as raw materials for producing Summi NFCOJ and FCOJ and related products by the Group according to their grades. During the Reporting Period, the harvest volume of the Group's own plantations in Chongqing remained stable. However, despite benefiting from the continued upward trend in price of fresh oranges, the increased proportion of oranges which were used for processing and had lower fair value in our harvest offset the relevant positive effect. During the Reporting Period, the sales of the orange plantation business amounted to approximately RMB146,069,000, representing a decrease of approximately 9.8% as compared with the same period last year. With the orange trees in the plantations of nearly 70,000 mu which will reach their maturity in 2016 and the first lot of fresh oranges will be harvested by the end of 2016, the Group expects that the harvest volume of fresh oranges will be increased significantly in the financial year of 2017.

During the Reporting Period, the total orange harvest of the Group was approximately 135,357 tonnes, representing an increase of approximately 3.1% as compared with approximately 131,340 tonnes for the last year. Of which approximately 56,888 tonnes (2014: approximately 80,500 tonnes) of fresh oranges with superior quality were sold directly to the local agricultural wholesalers. During the Reporting Period, the average selling price of premium fresh oranges was approximately RMB2,600 per tonne, up by approximately 23.8% as compared with approximately RMB2,100 per tonne for the last year.

# Management Discussion and Analysis



### Other products
The Group's other products included orange residue, orange baking fillings and other fruit juice. During the Reporting Period, sales of other products decreased by approximately 41.8% from approximately RMB54,006,000 for the same period last year to approximately RMB31,429,000.

### Usage of oranges
The Group operates orange plantations and (i) the lower grade oranges are used as raw materials for producing FCOJ and related products; (ii) higher grade oranges are used as raw materials for producing Summi NFCOJ; and (iii) the premium grade oranges are sold directly to the local agricultural wholesalers. In addition to using its own plantations grown oranges, the Group also purchases oranges from independent third parties to produce FCOJ and related products. The volume of oranges growing from the self-operated farms and the volume of purchased oranges for the years ended 30 June 2015 and 2014 are set out as follows:

| | **2015 Approximate tonnes** | 2014 Approximate tonnes |
|---|---|---|
| Output of oranges from self-operated orange plantations | | |
| – Fresh oranges for sale | **56,888** | 80,500 |
| – Producing Summi NFCOJ | **21,955** | – |
| – Producing FCOJ and related products | **56,514** | 50,840 |
| | **135,357** | 131,340 |
| Purchased oranges for producing FCOJ and related products | **112,984** | 157,640 |
| Total consumption of oranges | **248,341** | 288,980 |

### Gross profit
During the Reporting Period, the Group's gross profit in the consolidated statement of profit or loss and other comprehensive income decreased by approximately 18.2% to approximately RMB170,198,000 as compared to approximately RMB208,093,000 for the last year. The gross profit margin of the Group slightly decreased to approximately 36.1% (2014: approximately 36.6%). Decrease in gross profit is attributable to the declined sales of FCOJ in the Reporting Period.

### Gain from changes in fair value of biological assets
Gain from changes in fair value of biological assets represents the net increase of fair value of the oranges when the Group's fresh oranges become mature. During the Reporting Period, the Group's gain from changes in fair value of biological assets less costs to sell was approximately RMB30,178,000 (2014: approximately RMB51,032,000).

# Management Discussion and Analysis

### Distribution costs and administrative expenses

Distribution costs of the Group are mainly comprised of marketing expenses and transportation costs. The distribution costs increased from approximately RMB6,094,000 for the last year to approximately RMB20,731,000 for the Reporting Period. Increase in distribution costs is attributable to the launch of Summi NFCOJ during the Reporting Period.

The Group's administrative expenses mainly included general office administrative expenses, salaries and amortisation etc. The administrative expenses increased by approximately 13.7% from approximately RMB72,130,000 for the last year to approximately RMB82,037,000 for the Reporting Period.

### Other operating expenses

During the Reporting Period, the Group's other operating expenses were approximately RMB1,619,000 (2014: approximately RMB2,662,000).

### Finance costs

During the Reporting Period, the Group's finance costs were approximately RMB32,733,000 (2014: approximately RMB49,179,000). The decrease was due to the early redemption of the Convertible Bonds (as defined herein below) during the Reporting Period. Among the finance costs, approximately RMB12,556,000 (2014: approximately RMB34,447,000) was the imputed interest expenses on Convertible Bonds, which is a non-cash item.

### Tax expenses and tax rate

The Group has been granted PRC enterprise income tax exemption for its orange juice processing business since 1 January 2011. As the Group has already been exempted from PRC enterprise income tax for its fresh orange cultivation and sales of fresh orange business, the Group has not been subject to any PRC enterprise income tax of its business since 1 January 2011. Most of the Group companies' business is exempted from the PRC enterprise income tax for the Reporting Period.

### Net profit

During the Reporting Period, the Group's net profit decreased by approximately 33.2% to approximately RMB78,025,000 as compared to approximately RMB116,869,000 for the last year.

## LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

### Held-to-maturity investments

As at 30 June 2015, held-to-maturity investments amounted to approximately RMB15,993,000 (2014: approximately RMB16,010,000).

### Liquidity

As at 30 June 2015, current assets amounted to approximately RMB791,382,000 (2014: approximately RMB776,607,000). Current liabilities were approximately RMB296,985,000 (2014: approximately RMB486,775,000).

### Financial resources

As at 30 June 2015, the Group had cash and cash equivalents of approximately RMB430,922,000 (2014: approximately RMB481,652,000); total bank loans of approximately RMB544,794,000 (2014: approximately RMB410,490,000) and; all Convertible Bonds were redeemed during the Reporting Period (as at 30 June 2014: approximately RMB229,930,000).

As at 30 June 2015, the Group had trade receivables of approximately RMB78,590,000 (2014: approximately RMB38,205,000) and inventories of approximately RMB69,344,000 (2014: approximately RMB30,986,000). Although increase in trade receivables was noted, all trade receivables were not past due and no default of repayment was incurred. Increase in inventories was attributable to the inventory of Summi NFCOJ at the end of the Reporting Period.

### Gearing

On 18 May 2012, the Company issued the 3.5% p.a. 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 "Convertible Bonds"). On 12 November 2014, the Company early redeemed the Convertible Bonds held by CITIC Capital China Access Fund Limited in total redemption amount of HK$274,448,000, being 118% of all the outstanding principal amount of the Convertible Bonds, in accordance with the terms and conditions of the same. Upon redemption, the Convertible Bonds have been cancelled and CITIC Capital China Access Fund Limited ceased to hold any convertible bonds issued by the Group. Details of the Convertible Bonds and the said redemption are set out in the announcements of the Company dated 10 May 2012, 18 May 2012, 15 August 2014, 18 August 2014, 6 November 2014 and 12 November 2014.

As at 30 June 2015, the total bank loans amounted to approximately RMB544,794,000 (2014: approximately RMB410,490,000), of which RMB170,000,000 was secured by cash deposited in offshore bank account (2014: approximately RMB189,310,000). As at 30 June 2015, the Group's proportion of the total bank loans denominated in RMB and foreign currencies were approximately 45% and approximately 55% respectively (30 June 2014: 60% and 40% respectively).

# Management Discussion and Analysis

The Board's approach to manage the 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.

| | 2015 | 2014 |
|---|---|---|
| Quick ratio (x) | **2.1** | 1.3 |
| Current ratio (x) | **2.7** | 1.6 |
| Gearing ratio *(note (a))* | **33.1%** | 41.0% |

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

### Capital structure

As at 30 June 2015, the total number of issued Shares was 1,347,860,727 shares. Based on the closing price of HK$1.26 per share as at 30 June 2015, the Company's market value as at 30 June 2015 was HK$1,698,304,516.

## FOREIGN EXCHANGE EXPOSURE

The Group's sales and purchases were dominated in RMB. As such, the Group has no 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.

## PLEDGE OF ASSETS

As at the end of the Reporting Period, the Group had pledged the following assets to banks to secure banking facilities granted to the Group:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Held-to-maturity investments | **15,993** | – |
| Property, plant and equipment | **86,395** | 94,141 |
| Land use rights | **15,105** | 15,476 |
| Pledged bank deposits | **182,000** | 202,170 |
| | **299,493** | 311,787 |

## CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no material contingent liabilities (2014: nil).

# Management Discussion and Analysis

## CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to approximately RMB150,810,000 (2014: approximately RMB468,281,000) which was used for acquisition of properties, plants, equipment, land use rights and lease prepayments for orange plantations in Chongqing.

## ORANGE PLANTATIONS AND PRODUCTION FACILITY


### Orange plantations

The Group operates approximately 76,000 mu (equivalent to 50.67 $km^2$) of orange plantations with fruit trees and approximately 70,000 mu (equivalent to 46.67 $km^2$) of orange plantations under construction in Kaixian, Chongqing. The Group expects that all of the plantations under construction will be duly operated at the end of 2016.

# Management Discussion and Analysis

## Productivity of orange plantations

| | 2015 | 2014 |
|---|---|---|
| Area of own orange plantations with fruit trees | **76,000 mu** | 76,000 mu |
| Average output per mu | **1.8 tonnes** | 1.7 tonnes |
| Area of own orange plantations under construction | **70,000 mu** | 70,000 mu |
| Total area of own orange plantations | **146,000 mu** | 146,000 mu |

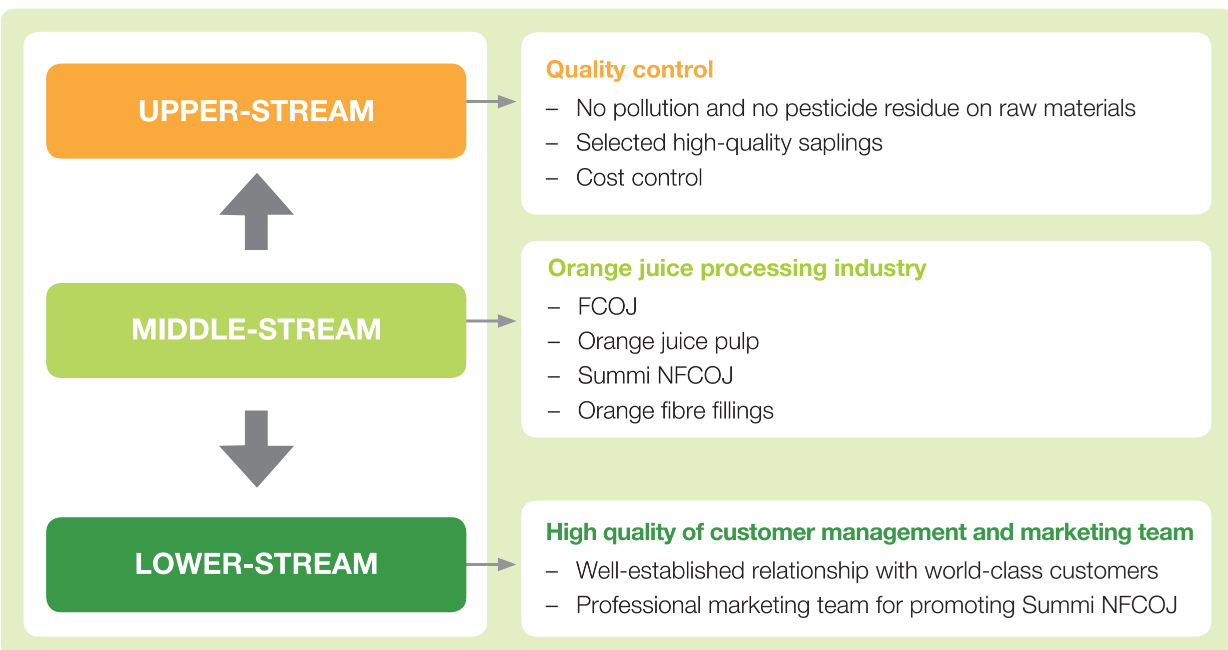
## Production facility

The Group has a total of four highly efficient FCOJ production plants and a new Not-From-Concentrate orange juice production plant, which are strategically located in China's major citrus growing areas, Chongqing, Fujian and Hunan, with advanced equipment imported from the US, Switzerland, Italy and Germany.

The Group has extensive experience in successfully handling the production demands of orange juice processing plants. The involved production process is closely based on the expertise gained by the Group in the design and manufacturing process including years of research and development which have allowed the Group to come up with processing equipment that deliver processed orange juice with superior quality.

## Integrated business model

The Group adopts an integrated business model and is one of the few FCOJ processors operating its own upstream orange farms to enhance the value chain in China.



## HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2015, the Group employed 1,029 employees (2014: 914 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the "Scheme") has been adopted on 7 June 2008 for, among others, the employees of the Group. The Scheme limit in respect of the grant of options to subscribe for shares in the share capital of the Company has been refreshed on 5 November 2012.

The remuneration to members of senior management of the Company (i.e. senior management of the Company as disclosed in the section headed "Board of Directors and Senior Management" in this annual report) is within the following bands:

| Remuneration Bands | Number of Senior Management |
|---|---|
| Nil to HK$1,000,000 (equivalent to nil to RMB798,000) | 5 |
| HK$1,000,001 to HK$1,500,000 (equivalent to RMB798,001 to RMB1,200,000) | 1 |

# Board of Directors and Senior Management

## DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

Mr. Sin Ke (辛克), aged 54, is an executive Director, chairman of the Board and the chief executive officer of the Company. Mr. Sin has been involved in managerial and supervisory role in the Group from its establishment in 1993. Through which, Mr. Sin has gained more than 20 years of experience in the frozen concentrated juice industry. From 1982 to 1993 he was involved in the sales, manufacturing and administration of beverage, health products and pharmaceutical products. He was appointed as the honorary chairman of the Fujian Sports United Association of Macau (澳門福建體育聯合會), the committee member of Hui'An Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議惠安縣委員會), the council member of the Beverage Industry Association of China (中國飲料工業協會), and the deputy chairman of the Fruit Trading Association of China (中國果品流通協會). Mr. Sin is the elder brother of Mr. San Kwan, another executive Director. Mr. Sin is a member of the Remuneration Committee and the chairman of the Nomination Committee of the Company.

Mr. Sin is the director of Rich Anges Limited (裕佳有限公司), Sunshine Vocal Limited, Potel Limited (邦天有限公司), Manwell (China) Limited (萬華(中國)有限公司), Chongqing Shangguo Agriculture and Technology Co., Ltd (重慶尚果農業科技有限公司), Chongqing Tianbang Food Co., Limited (重慶天邦食品有限公司), Sanming Summi Food Co., Limited (三明森美食品有限公司) and Summi (Fujian) Food Co., Limited (森美(福建)食品有限公司) ("Summi (Fujian)"), all of which are wholly-owned subsidiaries of the Company.

Mr. Sin is also the director of Cheer Sky Limited (捷佳有限公司) ("Cheer Sky") and Key Wise Group Limited (建威集團有限公司) ("Key Wise"), all are companies having an interest in the shares of the Company.

Save as disclosed above, Mr. Sin did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. San Kwan (辛軍), aged 47, is an executive Director. He joined the Group as a director of Summi (Fujian) in March 2005. He is responsible for assisting the chairman and the chief executive officer of the Company in supervising the management of the Company. Mr. San Kwan is the younger brother of Mr. Sin Ke. From 1994 to 2006, he was the vice general manager of a company in Quanzhou, Fujian and was responsible for sales and marketing activities. Through which, Mr. San Kwan has gained extensive experience in business.

Mr. San is also the director of Chongqing Tianbang Food Co., Limited (重慶天邦食品有限公司) and Summi (Fujian), both of which are wholly-owned subsidiaries of the Company.

Save as disclosed above, Mr. San did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

## Non-Executive Director

Mr. Tsang Sze Wai Claudius (曾思維), aged 37, has entered the financial services industry since 1998 and served various positions in Korean Development Bank and Chinachem Group. Mr. Tsang also managed private equity projects in Hong Kong, China, Taiwan and the United States for Lehman Brothers. Mr. Tsang first joins Templeton Asset Management Limited in 2005 and rejoins in 2008, he is a senior vice president and senior executive director, responsible for analyzing and evaluating opportunities for strategic equity investment in North Asia, including China, Hong Kong and Taiwan. Mr. Tsang currently is a non-executive Director Real Nutriceutical Group Limited, a company listed in Hong Kong (Stock code: 2010). Mr. Tsang obtained a bachelor degree of engineering from The Chinese University of Hong Kong in 1998 and a bachelor degree of law from Tsinghua University in 2006. He is a holder of a Chartered Financial Analyst charter of the CFA Institute.

Templeton Asset Management Limited is the manager of Templeton Strategic Emerging Markets Fund IV, LDC, a shareholder of the Company which, as at the Latest Practicable Date, held 103,888,000 Shares, representing about 7.70% of the existing issued share capital of the Company.

Save as disclosed above, Mr. Tsang did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

## Independent Non-Executive Directors

Mr. Zeng Jianzhong (曾建中), aged 56, is an independent non-executive Director of the Company. He joined the Group in September 2011. Mr. Zeng has been a director and the deputy general manager of SVXM Pharma Inc. (博分(廈門)醫藥研發有限公司) since April 2007, responsible for general management. Mr. Zeng has around 7 years of experience in the food and beverage industry as a deputy general manager of Xiamen Luquan Industries General Co. Ltd. (廈門綠泉實業總公司) ("Xiamen Luquan") from October 2001 to March 2007, during which, he also acted as a director and/or a manager in various food and beverage companies including Swire Coca-Cola Beverages Xiamen Limited (廈門太古可口可樂飲料有限公司), Xiamen Huari Foods Industrial Ltd (廈門華日食品有限公司) and Xiamen Huarong Food Company Limited (廈門華榮食品有限公司), a subsidiary of Xiamen Luquan. Prior to those, he worked in Xiamen Sanjuan Rihua Company Limited (廈門三圈日化有限公司) ("Xiamen Sanjuan"), a company principally engaged in household chemical products business for around 16 years. His last position with Xiamen Sanjuan was the deputy general manager and as a director and the general manager of its subsidiary, Xiamen Xinsanyang Industrial Limited (廈門新三陽實業有限公司). Mr. Zeng graduated from University of Xiamen (廈門大學) majoring in electro chemistry in July 1982. In January 1997, he completed his postgraduate course in Business Administration in the Postgraduate College of Xiamen University. He also obtained a degree of master in Business Administration from the University of Northern Virginia in June 2003. Mr. Zeng is a member of both the Audit Committee and Nomination Committee of the Company.

Save as disclosed above, Mr. Zeng did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Zhuang Weidong (莊衛東), aged 47, is an independent non-executive Director of the Company. He joined the Group in 2008. Mr. Zhuang graduated from the Agricultural College, Fujian (福建農學院) in 1991 specializing in planting of fruit trees and has served as a senior orchard gardener in Quanzhou Agricultural Science Research Centre (泉州市農業科學研究所) since 2003. He has received the Third Prize in the Technology Advance Award of Quanzhou City (泉州市科學技術進步三等獎) and the Second Prize in the Technology Award of Fujian Province (福建省科學技術二等獎). Mr. Zhuang is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

Save as disclosed above, Mr. Zhuang did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Zhuang Xueyuan (莊學遠), aged 52, is an independent non-executive Director of the Company. He joined the Group in 2008. Mr. Zhuang is a senior accountant accredited by the Assessing Panel of High Level Duties of Professional Accountants of Fujian Province (福建省會計專業人員高級職務評審委員會) in 2002. Mr. Zhuang had worked with Fujian Quanzhou Resources Group Company (福建泉州物資集團公司) from 1982 to 2000 where he had served as, among other roles, the accountant of the finance department in charge of the accounting issues of the company. Through which, Mr. Zhuang has gained about 18 years of experience in accounting and auditing. He has served as a manager and then as a director of State-owned Assets Investment Company Limited of Luo Jiang District of Quanzhou City (泉州市洛江區國有資產投資經營有限公司). He has also served as a director of Tang Xi Industrial Park Construction and Development Company Limited in Wan An Development Zone of Quanzhou City (泉州市萬安開發區塘西工業園建設開發有限公司), a supervisor of Luo Jiang Foreign Trade Company Limited (洛江區對外貿易有限公司) and a legal representative of He Shi Chemist at Luo Jiang District of Quanzhou City (泉州市洛江區河市醫藥店). Mr. Zhuang is a chairman of both Audit Committee and the Remuneration Committee of the Company.

Save as disclosed above, Mr. Zhuang did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

## SENIOR MANAGEMENT

Mr. Hsu Mi-Chien (許彌堅), aged 54, is the Chief Operating Officer of the Company and a President of the Group's NFCOJ Division. He is responsible for the brand building, the market operations strategic management and market development of the Group's existing products and Summi NFCOJ. He joined the Group in July 2014. Mr. Hsu graduated from Oxford College in Taipei Tamsui (Aletheia University) and received his bachelor degree in Business Administration Department of Tourism in 1985. After graduation, Mr. Hsu served as senior sales management positions in two large trading companies (Tait & Co., Ltd. and EAC, East Asiatic Company) in Taiwan and American Mars Foods Co., Ltd., Taiwan Branch. He traveled to China for further career development, between 2003 to 2006, Mr. Hsu served as the Associate of sales and marketing department of the business sector in Southern, Central and Northern China in Ting Hisin International Group. He was responsible for optimisation of the execution of brand strategy and regional strategy, and also the enhancement of brand in the market share in Central China. During 2007 to 2009, Mr. Hsu worked in Gold Hongye Paper (Suzhou Industrial Park) Co., Ltd. (金紅葉紙業(蘇州工業園區)有限公司) of Sinar Mas Group (APP) and Youge Biology Science and Technology Co., Ltd. as general manager, directors and other key positions. Mr. Hsu served as general manager South China Region and general manager Division of Drinks of Beijing Huiyuan Group Food & Beverage Co. during 2009 to 2013, was responsible for new product development, brand building, marketing operations management and organisational planning strategy, reform and integration of the existing operators and regional improvement. During 2013 to June 2014, Mr. Hsu worked in Sugere Daily Chemicals Co., Ltd. as general manager of marketing centers, responsible for enhancement of marketing system and management of the company. He has been engaged in f business management and marketing management related work since graduation and has gained more than 20 years of experience in this industry.

Save as disclosed above, Mr. Hsu did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Xu Min (許民), aged 47, is an engineer of the Group and is responsible for the production and technology of the Group. Mr. Xu joined the Group in July 2010. He graduated from Harbin Institute of Technology and obtained a bachelor degree in Engineering. From 1989 to 1996, he was engaged in gyropilot research at Sichuan Airlines Tianbu 7301 Research Centre (四川航空航天部7301研究所) and had been granted the title of Intermediate Engineer. From 1997 to 2000, he worked for Hainan Oasis Food Company Limited (海南綠州食品有限公司) as a deputy general manager and was in charge of processing and sales of tropical fruits. From 2000 to 2004, he worked as a factory deputy director in the Beijing Huiyuan Huairou Factory and was responsible for processing PET beverage. From 2004 to 2009, he worked for Zhejiang Huzhou Weiyuan Food and Beverage Company Limited (浙江湖州味源食品飲料有限公司) as an executive vice director and was responsible for processing and sales of fruits and vegetables such as carrot, lime, etc.

Save as disclosed above, Mr. Xu did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

# Board of Directors and Senior Management

Mr. Ma Yu Heng (馬有恒), aged 45, is the executive vice president of the Company and is responsible for the corporate financing of the Company. He joined the Group in December 2014. He graduated from Da-Yeh university, Taiwan and obtained a master degree in Business Administration. Before joining the Company, Mr. Ma held a management position in Fubon Bank. He worked in the banking industry for more than 20 years and has extensive experience in financial management and corporate finance.

Save as disclosed above, Mr. Ma did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Ms. Lee Chia Hui (李家慧), aged 40, is the Chief Investment Officer of the Company and is responsible for the capital market management and investor relationship of the Group. She joined the Company in June 2015. Ms. Lee graduated from London School of Economics and Political Science and obtained a master degree in Science. Before joining the Company, Ms. Lee worked in China Everbright International Limited (stock code: 0257.HK). Ms. Lee has extensive experience in investor relationship, corporate finance and capital market management.

Save as disclosed above, Ms. Lee did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Lee Kwok Lun (李國麟), aged 32, is the financial controller and company secretary of the Company. He joined the Group and was appointed as the company secretary and the authorized representative of the Company on 9 April 2015. Mr. Lee is a practising member of Hong Kong Institute of Certified Public Accounts, member of the Association of Chartered Certified Accountants and associate member of The Taxation Institute of Hong Kong. Before joining the Company, Mr. Lee worked in KPMG as an audit manager. He has extensive experience in audit, accounting and financial management.

Save as disclosed above, Mr. Lee did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Leung Pui Shan (梁佩珊), aged 35, resigned on 9 April 2015, was the authorised representative and the company secretary of the Company. She joined the Group in 2012. Ms. Leung is a member of Hong Kong Institute of Certified Public Accountants. Ms. Leung graduated from the City University of Hong Kong and obtained a bachelor degree in Accountancy and Management Information Systems in 2004. And she also obtained a master degree in Accountancy from the Hong Kong Polytechnic University in 2011. Before joining the Company, Ms. Leung worked in Deloitte Touche Tohmatsu in Hong Kong for several years. She is experienced in the field of audit, financial accounting and financial management.

Save as disclosed above, Ms. Leung did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

# Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 23 to the consolidated financial statements. There was no significant change in nature of the Group's activities during the Reporting Period.

Discussion and analysis of the principal activities of the Group are set out in business review section on pages 6 to 10. The analysis of the operations of the Group during the Reporting Period are set out in note 7 to the financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 30 June 2015 and the state of the Group's affairs as at 30 June 2015 are set out in the financial statements on pages 44 to 115.

No interim dividend was paid or declared in respect of the Reporting Period (2014: nil).

The Board does not recommend the payment of a final dividend (2014: nil) for the Reporting Period.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 116. This summary does not form part of the audited financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for 19.3% and 27.5% respectively of the Group's total purchases during the year ended 30 June 2015. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for 31.0% and 84.3% respectively of the Group's total revenue during the Reporting Period.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

## NON-CURRENT ASSETS

### Property, plant and equipment

Details of movements during the Reporting Period in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

### Land use rights

Details of movements during the Reporting Period in land use rights of the Group are set out in note 18 to the consolidated financial statements.

### Intangible assets

Details of movements during the Reporting Period in intangible assets of the Group are set out in note 21 to the consolidated financial statements.

# Report of the Directors



## SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 38 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 47.

As at 30 June 2015, the Company had reserves of approximately RMB372,074,000 (2014: approximately RMB357,166,000) available for distribution to the Shareholders.

## DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

### Executive Directors

Mr. Sin Ke *(Chairman and chief executive officer)*
Mr. San Kwan

### Non-executive Director

Mr. Tsang Sze Wai Claudius (appointed on 10 November 2014)

### Independent Non-Executive Directors

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

In accordance with Article 108(a) of the articles of association of the Company (the "Articles of Association"), at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Zeng Jianzhong, Mr. Zhuang Xueyuan and Mr. Zhuang Weidong will retire from office as Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers that all the independent non-executive Directors meet the independence requirement set out in Rule 3.13 of the Listing Rules and are independent as at the date of this report.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 16 to 20 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of 3 years unless terminated by not less than 3 months' notice in writing served by either party on the other.

Each of the independent non-executive Directors namely, Mr. Zhuang Xueyuan, Mr. Zhuang Weidong and Mr. Zeng Jianzhong has respectively entered into a service contract with the Company, unless terminated by not less than 3 months' notice in writing served by either party on the other. The contracts with Mr. Zhuang Xueyuan, Mr. Zhuang Weidong and Mr. Zeng Jianzhong are for a term of 2 years.

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

## REMUNERATION POLICY

A remuneration committee of the Company (the "Remuneration Committee") has been set up for reviewing the Group's remuneration policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

In order to attract and retain high quality talents to ensure smooth operation and cater for the Group's constant expansion, the Group offers competitive remuneration packages, with reference to market conditions and individual qualifications and experience.

During the Reporting Period, the employees' remuneration of the Group was approximately RMB86,576,000 (2014: approximately RMB85,591,000).

The Company has adopted a share option scheme as incentive to the Directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

## REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST REMUNERATION

Details of the emoluments of the Directors and five individuals with highest remuneration are set out in notes 12 and 13 to the consolidated financial statements.

# Report of the Directors

## 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 30 June 2015, 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 (Chapter 571 of the Laws of Hong Kong) ("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 (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to the 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 corporation *(Note 2)* | 572,712,145 (L) | 42.49% |
| | Beneficial owner *(Note 2)* | 6,000,000 (L) | 0.45% |
| Mr. San Kwan | Beneficial owner *(Note 3)* | 8,000,000 (L) | 0.59% |

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

| Name of Director and chief executive | Capacity/Nature | No. of underlying Shares held/ interested in | Approximate percentage of issued share capital of the Company |
|---|---|---|---|
| Mr. Sin | Beneficial owner *(Note 2)* | 103,888,000 (L) | 7.71% |

*Notes:*

1. The letter "L" denotes a long position in the Shares/underlying Shares.

2. Mr. Sin was deemed (by virtue of the SFO) to be interested in 682,600,145 Shares. These shares were held in the following capacity:

   (i) 572,712,145 Shares were held by Key Wise which is a corporation controlled by Mr. Sin. Mr. Sin beneficially owned 51% interest in Cheer Sky which beneficially owned 49% interest in Key Wise which in turn, held 572,712,145 Shares.

   (ii) 103,888,000 Shares were held in a beneficial owner capacity. Mr. Sin was deemed to be interested in such 103,888,000 Shares as Mr. Sin shall not be liable to pay or shall be liable to pay a reduced amount of the relevant shortfall amount to Templeton Strategic Emerging Markets Fund IV, LDC if the Share price has increased to a prescribed price. For further details, please refer to the announcement of the Company dated 24 February 2014.

   (iii) 6,000,000 Shares were held in the beneficial owner capacity.

3. These 8,000,000 Shares were held in the beneficial owner capacity.

## 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 corporation 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 30 June 2015, none of the Directors or chief executive 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.

# Report of the Directors



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

As at 30 June 2015, 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 fell 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 | 572,712,145 (L) | 42.49% |
| Cheer Sky | Interest of controlled corporation *(Note 2)* | 572,712,145 (L) | 42.49% |
| Ms. Hong Man Na | Interest of controlled corporation and interest of spouse *(Note 3 & 4)* | 682,600,145 (L) | 50.64% |
| Templeton Strategic Emerging Markets Fund IV, LDC ("Templeton") | (i) Beneficial owner<br>(ii) Beneficial owner | 103,888,000 (L)<br>103,888,000 (S) | 7.71%<br>7.71% |
| Templeton Asset Management Limited | Investment manager *(Note 5)* | 103,888,000 (L) | 7.71% |

*Notes:*

1. The letter "L" denotes a long position and "S" denotes short 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 572,712,145 Shares held by Key Wise by virtue of the SFO.

3. Ms. Hong Man Na beneficially owned 51% interest in Key Wise. Mr. Sin was deemed to be interested in 103,888,000 Shares which held by Templeton as Mr. Sin shall not be liable to pay or shall be liable to pay a reduced amount of the relevant shortfall amount to Templeton if the Share price has increased to a prescribed price. Ms. Hong Man Na is the spouse of Mr. Sin. Therefore, Ms. Hong Man Na was deemed, or taken to be, interested in the 572,712,145 Shares held by Key Wise and the undertake of 103,888,000 Shares by Mr. Sin by virtue of the SFO.

4. Mr. Sin beneficially held 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 6,000,000 Shares held by Mr. Sin by virtue of the SFO.

5. As known to the Directors after making reasonable enquiries, as at 30 June 2015, Templeton Asset Management Limited is the investment manager of Templeton which in turn, held 103,888,000 Shares. Therefore, Templeton Asset Management Limited was deemed, or taken to be, interested in the 103,888,000 Shares held by Templeton by virtue of the SFO.

Save as disclosed above, and as at 30 June 2015, 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 fell 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.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 12 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

## MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

# Report of the Directors

## 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.

## CONNECTED TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTIES TRANSACTIONS

### Connected transactions

During the Reporting Period, the Group had not entered into any connected transaction which is not exempted under Chapter 14A of the Listing Rules.

### Continuing connected transactions

During the Reporting Period, the Group had not entered into any continuing connected transaction which is not exempted under Chapter 14A of the Listing Rules.

### Related parties transactions

The material related party transactions in relation to the key management compensation as disclosed in Note 44 to the consolidated financial statements in this annual report are connected transactions exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules.

Save as disclosed above, the Directors consider that those material related party transactions disclosed in note 44 to the financial statements did not fall or exempted under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Reporting Period, the Directors were not aware of any business or interest of the Directors or any substantial Shareholders (as defined under the Listing Rules) and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

## SECURED BANK LOANS

Particulars of secured bank loans of the Group as at 30 June 2015 are set out in note 32 to the consolidated financial statements.

## RETIREMENT SCHEMES

Particulars of the retirement schemes and contributions to defined contribution plans of the Group are set out in notes 11 and 36 to the consolidated financial statements.

## 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 to the Listing Rules. Specific enquiry has been made to all the Directors and all of the Directors have confirmed that they had complied with the Model Code and such code of conduct during the Reporting Period.

## SHARE OPTION SCHEME

In order to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 7 June 2008 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the Shares to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group or any substantial Shareholder. The Scheme became unconditional on 10 July 2008 and shall be valid and effective for a period of ten years commencing on 7 June 2008, subject to the early termination provisions contained in the Scheme. 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.

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price at the discretion of the Board, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue on the date when the Scheme was 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. The Company may at any time refresh such limit, subject to in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. The total number of securities available for issue under the Scheme as at the date of this report was 162,067,272 Shares which represented approximately 12.02% of the issued share capital of the Company as at the date of this report.

# Report of the Directors

An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Scheme. There is no minimum period for which an option must be held before it can be exercised under the Scheme.

The status of the share options under the Scheme during the Reporting Period is as follows:

| Category of participants | As at 1 July 2014 | Granted during the Reporting Period | Exercised during the Reporting Period | Cancelled/ Lapsed during the Reporting Period | As at 30 June 2015 | 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/Chief executive** | | | | | | | | | |
| Mr. Sin | 6,000,000 | – | 6,000,000# | – | – | 18 November 2008 | 10 years from the date of grant | 0.75 | 0.75 |
| | 1,200,000 | – | – | 1,200,000 | – | 21 March 2013 | 2 years from the date of grant | 1.03 | 1.03 |
| Mr. San Kwan | 5,400,000 | – | 5,400,000# | – | – | 18 November 2008 | 10 years from the date of grant | 0.75 | 0.75 |
| | 2,800,000 | – | – | 2,800,000 | – | 21 March 2013 | 2 years from the date of grant | 1.03 | 1.03 |
| Mr. Liao Yuang-whang*** | 2,000,000 | – | – | 2,000,000 | – | 21 March 2013 | 2 years from the date of grant | 1.03 | 1.03 |
| **Others qualified Participants**** | 49,000,000 | – | – | 49,000,000 | – | 21 March 2013 | 2 years from the date of grant | 1.03 | 1.03 |
| Total | 66,400,000 | – | 11,400,000 | 55,000,000 | – | | | | |

* 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.

** Other qualified participants 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.

*** Mr. Liao Yuang-whang resigned as the chief executive officer of the Company with effect from 1 December 2014.

# The weighted average closing price of the Shares immediately before dates of exercise was HK$1.33.

For further information of the share options, please refer to note 35 to the consolidated financial statements.

## SHARE AWARD SCHEME

On 11 September 2015, the Company adopted the share award scheme (the "Share Award Scheme") under which the board of directors may, from time to time, award the Shares (the "Awarded Shares") to selected participants (including, without limitation, any Directors) of the Company or of any subsidiary (the "Selected Participant") pursuant to the terms of the trust deed of the Share Award Scheme. The Share Award Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

The number of Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company as at the adoption date. The maximum aggregate number of Awarded Shares which may be awarded to a Selected Participant shall not exceed 1% of the issued share capital of the Company as at the adoption date.

Up to the date of this annual report, no Awarded Shares have been granted by the Board. Details of the Share Award Scheme are set out in the announcement issued by the Company on 11 September 2015.

## PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public at all times during the Reporting Period and up to the date of this annual report.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. Save as disclosed in the Corporate Governance Report of this annual report, the Company has complied with all the applicable provisions as set out in the Code on Corporate Governance Code – Appendix 14 to the Listing Rules in the Reporting Period. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 33 to 41 of this annual report.

## CREDIT FACILITY AGREEMENT AND SUBSISTING SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

On 14 October 2014, the Company (as borrower), six of its subsidiaries which are not incorporated in the People's Republic of China (as corporate guarantors) and Mr. Sin (as individual guarantor) entered into a facility agreement (the "Facility Agreement") with several financial institutions (as lenders), relating to a term facility up to an amount of USD35,000,000.

# Report of the Directors

Pursuant to the Facility Agreement, it would be an event of default under the Facility Agreement if Mr. Sin and his family (defined as his spouse, children, step-children, parents, grandparents, and the trustees of any trust of which Mr. Sin or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object) acting in concert do not, or cease to beneficially own (directly or indirectly) 30% or more of the issued voting equity share capital of the Company or do not, or cease to exercise the power to direct the Company's policies and management, whether by contact or otherwise; or (ii) Mr. Sin is not, or ceases to be the chairman and president of the Company and/or does not, or cease to, have legal capacity to execute, deliver and perform his obligations under the Facility Agreement.

As at the date of this report, the terms of the Facility Agreement and the aforesaid specific performance obligations imposed thereunder are duly complied with. Details of the Facility Agreement and the specific performance obligations imposed were set out in the announcement of the Company dated 14 October 2014.

## CLOSURE OF REGISTER OF MEMBERS

### Entitlement to attend and vote at the AGM

For the purposes of determining the Shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on 12 November 2015 (Thursday), the register of members of the Company will be closed from 9 November 2015 (Monday) to 12 November 2015 (Thursday), both dates inclusive. During the above closure periods, no transfer of Shares will be registered. All transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 6 November 2015 (Friday).

## AUDITORS

SHINEWING (HK) CPA Limited shall retire in the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Sin Ke**
*Chairman*

Hong Kong, 15 September 2015

# Corporate Governance Report

The Board recognises the importance of good corporate governance practices in safeguarding the interest of the shareholders of the Company (the "Shareholders"). The Company commits to achieving and maintaining high standards of corporate governance, the principles of which serve to uphold transparency, accountability and independence in all aspects of business and endeavours to ensure that affairs are conducted in accordance with applicable laws and regulations.

## CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance practices are based on the Corporate Governance Code (the "Code") – as set out in Appendix 14 to the Listing Rules. Save as disclosed herein below, the Company has, throughout the Reporting Period, complied with all the relevant code provisions and, where applicable, the recommended best practices as set out in the Code.

The Board will periodically review the Company's current corporate practices and procedures and will maintain and further enhance the standard of corporate governance practices of the Company, in order to ensure it is in line with international and local best practices and optimise the interests of the Shareholders, investors, employees, business partners and the community as a whole.

## 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 as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they had complied with the Model Code and such code of conduct during the Reporting Period.

## THE BOARD OF DIRECTORS

### Composition of the Board

The Board has a balance of skills and experience appropriate for the requirements of the Group's business. The Board includes a balanced composition of executive, non-executive and independent non-executive Directors so that independent judgment can be effectively exercised.

The Board currently comprises two executive Directors, a non-executive Director and three independent non-executive Directors. During the Reporting Period and up to the date of this report, the Directors were:

### Executive Directors

Mr. Sin Ke *(Chairman and chief executive officer)*
Mr. San Kwan

### Non-executive Director

Mr. Tsang Sze Wei, Claudius (appointed on 10 November 2014)

### Independent Non-executive Directors

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

# Corporate Governance Report

The brief biographic details of and relationship between the existing Directors are set out in the section headed "Board of Directors and Senior Management" on pages 16 to 20. Save as disclosed under the section headed "Board of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships between Board members.

During the Reporting Period, the Board maintained a high level of independence, with more than one-third of the Board comprised of independent non-executive Directors, who had exercised independent judgement. The independent non-executive Directors are expressly identified in all corporate communications whenever the names of the Directors are disclosed.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors satisfied the Listing Rules requirement of independence.

### Board meetings

The Board meets regularly. In addition to regular meetings, it meets as and when warranted by particular circumstances. During the Reporting Period, nineteen Board meetings were held. The Directors attended the meetings in person or by telephone in accordance with the Articles of Association.

A record of the Directors' attendance at the Board meetings and general meetings of the Company held during the Reporting Period are set out as follows:

| | Attendance/ Number of Board meetings | Attendance/ Number of general meetings |
|---|---|---|
| *Executive Directors* | | |
| Mr. Sin Ke *(Chairman)* | 19/19 | 1/1 |
| Mr. San Kwan | 19/19 | 0/1 |
| *Non-executive Director* | | |
| Mr. Tsang Szi Wei, Claudius *(appointed on 10 November 2014)* | 3/19 | 0/1 |
| *Independent Non-executive Directors* | | |
| Mr. Zhuang Xueyuan | 10/19 | 0/1 |
| Mr. Zhuang Weidong | 10/19 | 0/1 |
| Mr. Zeng Jianzhong | 10/19 | 0/1 |

The company secretary, chief financial executive and other selected members from the Company also attended the annual general meeting (the "AGM") together with our external auditor, SHINEWING (HK) CPA Limited to answer any question from the Shareholders. All Directors treasure the opportunity to canvass the views of the Shareholders in AGMs held annually.

# Corporate Governance Report



## Board responsibilities and delegation

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance and determining the corporate governance policy of the Group. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group.

During the Reporting Period, the Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

## Appointment, re-election and removal of Directors

The Company has established the Nomination Committee on 7 June 2008. The Nomination Committee has from time to time identify individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experience are appropriate for the businesses of the Group.

Each of Mr. Zhuang Xueyuan, Mr. Zhuang Weidong and Mr. Zeng Jianzhong has entered into a service contract for a term of 2 years which may be terminated by either party giving to the other party at least 3 months' prior written notice. All independent non-executive Directors are subject to rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company.

In accordance with Article 108(a) of the Articles of Association, at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year shall be those appointed by the Board during the Reporting Period and those who have been the longest in office since their last election or re-election. Accordingly, Mr. Zeng Jianzhong, Mr. Zhuang Xueyuan and Mr. Zhuang Weidong will retire from office as Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

## Insurance of the Directors and Officers

The Company has bought liability insurance for Directors and officers in respect of legal action against the Directors and officers which is in compliance with code provision A.1.8 of the Code.

## Induction and continuous professional development

Newly appointed Directors will receive guideline and reference materials to enable them to familiarise with the Group's business operations and the Board's policies.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

According to the records provided by the Directors, a summary of training received by the Directors during the Reporting Period is set out below:

| Name of Directors | Type of continuous Professional development programmes *(Notes)* |
|---|---|
| *Executive Directors* | |
| Mr. Sin Ke *(Chairman)* | 1,2 |
| Mr. San Kwan | 1,2 |
| *Non-executive Director* | |
| Mr. Tsang Sze Wei, Claudius | 1,2 |
| *Independent Non-executive Directors* | |
| Mr. Zhuang Xueyuan | 1,2 |
| Mr. Zhuang Weidong | 1,2 |
| Mr. Zeng Jianzhong | 1,2 |

*Notes:*

1 Attend internal training

2 Attend workshop/seminars/conference/continuing development programme

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On 1 December 2014, Mr. Liao Yuang-whang ("Mr. Liao") resigned as the chief executive officer of the Company (the "Chief Executive Officer") and Mr. Sin Ke was appointed as the Chief Executive Officer, details of which are set out in the announcement dated 1 December 2014.

After the change of Chief Executive Officer, the roles of the chairman of the Board and the Chief Executive Officer are performed by the same individual, namely Mr. Sin Ke, which is a non-compliance to the Code Provision A.2.1 of the Code. However, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues relating to the operations of the Company.

The roles of the Chairman and the Chief Executive Officer are defined clearly and set out in writing to ensure their accountability and responsibility with respect to the management of the Company. The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board and seeking to ensure that all Directors are properly briefed on issues arising at the Board meetings and that they receive, in a timely manner, adequate and reliable information. The Chief Executive Officer is responsible for managing the business of the Group and leading the management team to implement strategies and objectives adopted by the Board.

## BOARD DIVERSITY POLICY

Under code provision A.5.6 of the Code, the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the Corporate Governance Report. During the Reporting Period, the Board has adopted a board diversity policy (the "Board Diversity Policy") with effect from 16 July 2013 and approved the amendments to the terms of reference of the Nomination Committee of the Company to align the board diversity.

Selection of candidates will be based on a range of diversity criteria, including but not limited to skills, knowledge, gender, age, ethnicity, cultural and educational background, professional experience, length of services and other qualities of candidates. Appointments of the Board will be made on meritocracy and candidates will be considered against objective criteria, with due regard for the benefits of the diversity on the Board. During the Reporting Period, no addition member was appointed to the Board.

## BOARD COMMITTEES

### Remuneration Committee

The Company established the Remuneration Committee which comprises one executive Director and two independent non-executive Directors. The roles and functions of the Remuneration Committee include consulting the Chairman 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 and making recommendation to the Board on the remuneration packages of individual Directors' and senior management. The Remuneration Committee's authority and duties are set out in written terms of reference that are posted on the website of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee, among others, had reviewed the Group's remuneration policy and the terms of the executive Directors' service contracts, made recommendation to the Board on the policy for the remuneration of non-executive Directors, independent non-executive Director and Chief Executive Officer, assessed performance of non-executive Directors, independent non-executive Directors and Chief Executive Officer and approved the terms of independent non-executive Director's service contracts.

Two meetings were held during the Reporting Period and the attendance by each committee member is set out below:

| Members of Remuneration Committee | Attendance/ Number of meetings |
|---|---|
| Mr. Zhuang Xueyuan *(Chairman)* | 2/2 |
| Mr. Sin Ke | 2/2 |
| Mr. Zhuang Weidong | 2/2 |

## Nomination Committee

The Company established the Nomination Committee which comprises one executive Director and two independent non-executive Directors. The roles and functions 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. The Nomination Committee is established with specific terms of reference which deal clearly with the committee's authority and duties and is available on the website of the Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee reviewed the existing structure, composition and diversity of the Board and assessed the independence of the independent non-executive Directors. The Nomination Committee also reviewed objectives set for implementing the Board Diversity Policy.

Two meetings were held during the Reporting Period and the attendance by each committee member is set out below:

| Members of Nomination Committee | Attendance/ Number of meetings |
|---|---|
| Mr. Sin Ke *(Chairman)* | 2/2 |
| Mr. Zhuang Weidong | 2/2 |
| Mr. Zeng Jianzhong | 2/2 |

## Audit Committee

The Audit Committee currently consists of 3 independent non-executive Directors. The primary duties of the Audit Committee are to review the Company's financial information, review and supervise the Company's financial reporting process and internal control procedures, nominate and monitor external auditors and provide advice and comments to the Board. The Audit Committee is established with specific terms of references which deal clearly with the committee's authority and duties and is available on the website of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee discussed and reviewed the interim and final results of the Group and certain other businesses. The effectiveness of the Company's internal control was also discussed at the meetings. The Audit Committee has also reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim report, the annual report, the interim result of the Group and the final result of the Group for the Reporting Period. In the opinion of the Audit Committee, there are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

Two meetings were held during the year and the attendance by each committee member is set out below:

| Members of Audit Committee | Attendance/ Number of meetings |
|---|---|
| Mr. Zhuang Xueyuan *(Chairman)* | 2/2 |
| Mr. Zhuang Weidong | 2/2 |
| Mr. Zeng Jianzhong | 2/2 |

## INTERNAL CONTROL

The Board is committed to manage business risks and to maintain a proper and effective system of internal control to safeguard the Shareholders' investments and the Group's assets. The Board, through the Audit Committee, has conducted annual review of the effectiveness of the Group's system of internal control covering all controls, including financial, operational and compliance controls, and risk management processes. The Board is satisfied that the Group has fully complied with the CG Code in respect of internal controls during the Reporting Period.

## AUDITOR'S REMUNERATION

The Group's external auditor is SHINEWING (HK) CPA Limited. The remuneration paid or payable to the external auditor of the Group for the Reporting Period comprised fees for audit and non-audit services of HK$1,350,000 (equivalent to approximately RMB1,085,000) (2014: HK$1,350,000 (equivalent to approximately RMB1,070,000)) and HK$10,000 (equivalent to approximately RMB8,000 (2014: HK$10,000 (equivalent to approximately RMB8,000)) respectively. Non-audit service represented the agreed-upon procedures performed regarding preliminary annual result announcement of the Group.

## DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities for preparing the financial statements for the Reporting Period. The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the financial statements for the Reporting Period. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going-concern basis.

## COMPANY SECRETARY

The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters and facilitating communication between Board members, the Shareholders and management of the Company. During the Reporting Period, Ms. Leung Pui Shan (resigned on 9 April 2015) and Mr. Lee Kwok Lun (appointed on 9 April 2015) has each undertook more than 15 hours of relevant professional training. The biography of the company secretary is set out in the section "Board of Directors and Senior Management" on page 20 of this annual report.

# Corporate Governance Report

## THE SHAREHOLDERS' RIGHTS

### Convening an Extraordinary Meeting by Shareholders

Pursuant to Article 64 of the Articles of Association, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

### Procedures for putting forward proposals at General Meetings by Shareholders

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Convening an Extraordinary Meeting by Shareholders".

Pursuant to Article 113 of the Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Tel No.: (852) 3163 1000
Fax No.: (852) 3163 1122

Company Secretarial Department and Investor Relations Department of the Company handle both telephone and written enquiries from Shareholders from time to time. Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions.

The procedures for Shareholders to propose a person for election as a Director is posted on the website of the Company.

### Communication with Shareholders

Information of the Group is delivered to the Shareholders through a number of channels, which include annual report, interim report, announcements and circulars at the corporate website (http://www.tianyi.com.hk/). The latest information of the Group together with the published documents are also available on the Company's website.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Investor Relations Department of the Company whose contact details are as follows:

China Tianyi Holdings Limited
Suites 2003–2004, 20/F,
Tower One, Times Square,
1 Matheson Street, Causeway Bay, Hong Kong
Email: adminhk@hksummi.com

## INVESTOR RELATIONS

### Constitutional Documents

During the Reporting Period, the Company did not make any changes to the Memorandum and Articles of Association, and the current version of which is available on the websites of the Stock Exchange and the Company.

## CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the Code but also about promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, regulatory changes and developments. Any views and suggestions from the Shareholders to promote and improve the transparency are also welcomed.

On behalf of the Board

**Sin Ke**
*Chairman*

Hong Kong, 15 September 2015

# Independent Auditor's Report

**SHINEWING** (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

**TO THE MEMBERS OF CHINA TIANYI HOLDINGS LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of China Tianyi Holdings Limited (the "Company") and its subsidiaries set out on pages 44 to 115, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent Auditor's Report

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 30 June 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Pang Wai Hang**
Practising Certificate Number: P05044

Hong Kong
15 September 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*FOR THE YEAR ENDED 30 JUNE 2015*



| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Revenue** | 7 | **470,834** | 569,199 |
| Cost of sales | | **(300,636)** | (361,106) |
| **Gross profit** | | **170,198** | 208,093 |
| Gain from changes in fair value of biological assets less costs to sell | 25 | **30,178** | 51,032 |
| Other revenue | 8 | **6,018** | 13,347 |
| Gain on early redemption of convertible bonds | 33 | **23,342** | – |
| Distribution costs | | **(20,731)** | (6,094) |
| Administrative expenses | | **(82,037)** | (72,130) |
| Impairment loss on intangible assets | 21 | **(18,414)** | (28,093) |
| Other operating expenses | 9 | **(1,619)** | (2,662) |
| **Profit from operations** | | **106,935** | 163,493 |
| Finance costs | 10 | **(32,733)** | (49,179) |
| **Profit before tax** | 11 | **74,202** | 114,314 |
| Income tax credit | 14 | **3,823** | 2,555 |
| **Profit for the year attributable to owners of the Company** | | **78,025** | 116,869 |
| **Other comprehensive income (expense) for the year** | | | |
| **Item that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences arising on translation of foreign operations | | **9** | (4,691) |
| **Total comprehensive income for the year attributable to owners of the Company** | | **78,034** | 112,178 |
| **Earnings per share** | 16 | | |
| – Basic (RMB) | | **0.06** | 0.09 |
| – Diluted (RMB) | | **0.06** | 0.09 |

# Consolidated Statement of Financial Position

*AS AT 30 JUNE 2015*

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 17 | **427,117** | 394,274 |
| Land use rights | 18 | **23,655** | 24,210 |
| Lease prepayments for orange plantations | 19 | **747,997** | 747,880 |
| Goodwill | 20 | **56,696** | 56,696 |
| Intangible assets | 21 | **51,009** | 75,547 |
| Held-to-maturity investments | 22 | **15,993** | 16,010 |
| Pledged bank deposits | 28 | **170,000** | 171,062 |
| | | **1,492,467** | 1,485,679 |
| **Current assets** | | | |
| Inventories | 24 | **69,344** | 30,986 |
| Biological assets | 25 | **95,831** | 90,485 |
| Lease prepayments for orange plantations | 19 | **84,432** | 81,815 |
| Trade receivables | 26 | **78,590** | 38,205 |
| Other receivables, deposits and prepayments | 27 | **20,263** | 22,356 |
| Pledged bank deposits | 28 | **12,000** | 31,108 |
| Cash and cash equivalents | 29 | **430,922** | 481,652 |
| | | **791,382** | 776,607 |
| **Current liabilities** | | | |
| Trade payables | 30 | **12,063** | 10,176 |
| Other payables and accruals | 31 | **56,186** | 16,849 |
| Bank loans | 32 | **228,254** | 229,734 |
| Convertible bonds | 33 | **–** | 229,930 |
| Income tax payable | | **482** | 86 |
| | | **296,985** | 486,775 |
| **Net current assets** | | **494,397** | 289,832 |
| **Total assets less current liabilities** | | **1,986,864** | 1,775,511 |

# Consolidated Statement of Financial Position

*AS AT 30 JUNE 2015*



| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank loans | 32 | **316,540** | 180,756 |
| Deferred income | 34 | **10,620** | 12,980 |
| Deferred tax liabilities | 37 | **14,003** | 20,137 |
| | | **341,163** | 213,873 |
| **Net assets** | | **1,645,701** | 1,561,638 |
| **Capital and reserves** | | | |
| Share capital | 38 | **11,610** | 11,520 |
| Reserves | 39 | **1,634,091** | 1,550,118 |
| **Total equity** | | **1,645,701** | 1,561,638 |

The consolidated financial statements on pages 44 to 115 were approved and authorised for issue by the board of directors on 15 September 2015 and are signed on its behalf by:

**Sin Ke**
*Director*

**San Kwan**
*Director*

# Consolidated Statement of Changes in Equity

*FOR THE YEAR ENDED 30 JUNE 2015*

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 *(Note 39(a))* | Capital reserve RMB'000 *(Note 39(b))* | Statutory reserves RMB'000 *(Note 39(c))* | Exchange reserve RMB'000 *(Note 39(d))* | Retained profits RMB'000 | Total RMB'000 |
| At 1 July 2013 | 10,682 | 409,997 | 71,608 | 38,810 | 5,152 | 843,889 | 1,380,138 |
| Profit for the year | – | – | – | – | – | 116,869 | 116,869 |
| Other comprehensive expense for the year – Exchange differences arising on translation of foreign operations | – | – | – | – | (4,691) | – | (4,691) |
| Total comprehensive (expense) income for the year | – | – | – | – | (4,691) | 116,869 | 112,178 |
| Shares issued under share option scheme *(note (38(a))* | 8 | 973 | (163) | – | – | – | 818 |
| Share options lapsed *(note 35)* | – | – | (5,448) | – | – | 5,448 | – |
| Shares issued by subscription *(note 38(b))* | 830 | 92,091 | – | – | – | – | 92,921 |
| Dividend paid *(note 15)* | – | (24,417) | – | – | – | – | (24,417) |
| At 30 June 2014 and 1 July 2014 | 11,520 | 478,644 | 65,997 | 38,810 | 461 | 966,206 | 1,561,638 |
| Profit for the year | – | – | – | – | – | 78,025 | 78,025 |
| Other comprehensive income for the year – Exchange differences arising on translation of foreign operations | – | – | – | – | 9 | – | 9 |
| Total comprehensive income for the year | – | – | – | – | 9 | 78,025 | 78,034 |
| Shares issued under share option scheme *(note (38(a))* | 90 | 9,769 | (3,080) | – | – | – | 6,779 |
| Share options lapsed *(note 35)* | – | – | (8,800) | – | – | 8,800 | – |
| Early redemption of convertible bonds *(note 33)* | – | – | (750) | – | – | – | (750) |
| Transfer to retained earnings upon early redemption of convertible bonds *(note 33)* | – | – | (10,724) | – | – | 10,724 | – |
| At 30 June 2015 | 11,610 | 488,413 | 42,643 | 38,810 | 470 | 1,063,755 | 1,645,701 |

# Consolidated Statement of Cash Flows

*FOR THE YEAR ENDED 30 JUNE 2015*



| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit before tax | **74,202** | 114,314 |
| Adjustments for: | | |
| Gain from changes in fair value of biological assets less costs to sell | **(30,178)** | (51,032) |
| Depreciation of property, plant and equipment | **31,548** | 23,934 |
| Amortisation of land use rights | **555** | 532 |
| Amortisation of deferred income | **(2,360)** | (2,360) |
| Amortisation of intangible assets | **6,124** | 8,404 |
| Impairment loss on intangible assets | **18,414** | 28,093 |
| Write-off of other receivables | **114** | – |
| Write-off of inventories | **8,800** | 4,982 |
| Loss on disposal of property plant and equipment | **489** | 225 |
| Write-off of property plant and equipment | **977** | 421 |
| Finance costs | **32,733** | 49,179 |
| Bank interest income | **(1,529)** | (2,626) |
| Gain on early redemption of convertible bonds | **(23,342)** | – |
| Interest income from pledged bank deposits | **(866)** | (2,702) |
| Interest income from advances | **–** | (754) |
| Interest income from held-to-maturity investments | **(798)** | (633) |
| Operating cash flows before movements in working capital | **114,883** | 169,977 |
| Increase in inventories | **(47,158)** | (3,162) |
| Decrease in biological assets | **24,832** | 33,204 |
| Increase in lease prepayments for orange plantations | **(2,734)** | (206,365) |
| (Increase) decrease in trade receivables | **(40,385)** | 28,254 |
| (Increase) decrease in other receivables, deposits and prepayments | **(13,686)** | 1,651 |
| Increase in trade payables | **1,887** | 4,267 |
| Increase (decrease) in other payables and accruals | **3,850** | (3,412) |
| Cash generated from operations | **41,489** | 24,414 |
| Income tax paid | **(1,915)** | (39,922) |
| **NET CASH FROM (USED IN) OPERATING ACTIVITIES** | **39,574** | (15,508) |
| **INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | **(28,916)** | (180,801) |
| Placement of pledged bank deposits | **(12,000)** | (200,119) |
| Interest income received from pledged bank deposits | **206** | 11,873 |
| Proceeds from disposal of property, plant and equipment | **490** | 4,713 |
| Bank interest received | **1,529** | 2,626 |
| Interest income received from held-to-maturity investments | **958** | 473 |
| Withdrawal of pledged bank deposits | **30,787** | 117,629 |
| Settlement of advances | **18,412** | – |
| Increase in advances | **(2,398)** | (18,412) |
| Purchase of held-to-maturity investments | **–** | (15,727) |
| Purchase of land use rights | **–** | (10,173) |
| Interest income received from advances | **–** | 640 |
| **NET CASH FROM (USED IN) INVESTING ACTIVITIES** | **9,068** | (287,278) |

# Consolidated Statement of Cash Flows

*FOR THE YEAR ENDED 30 JUNE 2015*

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| **FINANCING ACTIVITIES** | | |
| New bank loans raised | **384,220** | 407,948 |
| Proceeds from issue of shares | **–** | 92,921 |
| Proceeds from issue of shares under share option scheme | **6,779** | 19,575 |
| Repayments of bank loans | **(251,422)** | (185,690) |
| Redemption of convertible bonds | **(216,513)** | – |
| Dividend paid | **–** | (24,417) |
| Interest paid | **(22,124)** | (15,826) |
| **NET CASH (USED IN) FROM FINANCING ACTIVITIES** | **(99,060)** | 294,511 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(50,418)** | (8,275) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | **481,652** | 488,913 |
| Effect of foreign exchange rate changes | **(312)** | 1,014 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash** | **430,922** | 481,652 |

# Notes to the Consolidated Financial Statements

*FOR THE YEAR ENDED 30 JUNE 2015*

## 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 (hereinafter collectively referred to as the "Group") are principally engaged in plantation and sale of agricultural produce (formerly known as "plantation of agricultural produce"), production and sale of frozen concentrated orange juice ("FCOJ") and other related products (formerly known as "production of processed fruit") and production and sale of "Summi" not-from-concentrate orange juice ("Summi NFCOJ").

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 consolidated financial statements in RMB.

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has adopted the following new and revised IFRSs, which include IFRSs, International Accounting Standards ("IAS(s)"), amendments and Interpretations ("Int(s)"), issued by the International Accounting Standards Board (the "IASB").

| | |
|---|---|
| Amendments to IFRS 10, IFRS 12 and IAS 27 | Investment Entities |
| Amendments to IAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to IAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| Amendments to IFRSs | Annual Improvements to IFRSs 2010–2012 Cycle |
| Amendments to IFRSs | Annual Improvements to IFRSs 2011–2013 Cycle |
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions |
| IFRS Interpretations Committee ("IFRIC") – Int 21 | Levies |

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

### Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

### Annual Improvements to IFRSs 2010–2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

### Annual Improvements to IFRSs 2010–2012 Cycle *(Continued)*

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors consider that the application of the amendments included in the Annual Improvements to IFRSs 2010-2012 Cycle has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

### Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

### New and revised IFRSs issued but not yet effective

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

| | |
|---|---|
| IFRS 9 (2014) | Financial Instruments[3] |
| IFRS 15 | Revenue from Contracts with Customers[2] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2012–2014 Cycle[1] |
| Amendments to IAS 1 | Disclosure Initiative[1] |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| Amendments to IAS 16 and IAS 41 | Agriculture: Bearer Plants[1] |
| Amendments to IAS 27 | Equity Method in Separate Financial Statements[1] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception[1] |
| Amendments to IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[1] |

1 Effective for annual periods beginning on or after 1 January 2016.

2 Effective for annual periods beginning on or after 1 January 2017. In July 2015, the IASB confirmed to delay the effective date by one year to 1 January 2018.

3 Effective for annual periods beginning on or after 1 January 2018.

The Directors anticipate that, except as described below, the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

### New and revised IFRSs in issued but not yet effective *(Continued)*

*IFRS 9 (2014) Financial Instruments*

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of IFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of IFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

### New and revised IFRSs issued but not yet effective *(Continued)*

*IFRS 9 (2014) Financial Instruments (Continued)*

IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors anticipate that the adoption of IFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

*IFRS 15 Revenue from Contracts with Customers*

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Ints when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

### New and revised IFRSs issued but not yet effective *(Continued)*

*Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under IAS 16. The amendments to IAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

i) when the intangible asset is expressed as a measure of revenue;

ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to IAS 16 and IAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group uses straight-line method for depreciation of property, plant and equipment and for amortisation of intangible assets, the Directors do not anticipate that the application of the amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

*Amendments to IAS 1 Disclosure Initiative*

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The Directors anticipate that the application of Amendments to IAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the 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 consolidated financial statements have been prepared on the historical cost basis except for biological assets and certain financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of sales rebates and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment

Property, plant and equipment including buildings (classified as finance leases) held for use in the production or supply of goods or for administrative purposes other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for its production and administrative purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Leasing

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

*Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leasing *(Continued)*

*Leasehold land and building (Continued)*

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as land use rights in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Biological assets

Biological assets comprise oranges before harvested in leased orange farms and are classified as current assets due to short harvesting period.

Biological assets are stated at fair value less costs to sell from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of market-determined prices and no reliable alternative estimates exist to determine fair value in which case the assets are held at cost less accumulated depreciation and impairment losses. Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell. Where assets are held at fair value, changes in fair value are taken to the consolidated statement of profit or loss and other comprehensive income. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

After harvesting, oranges are transferred to inventories as agricultural produce at their deemed cost which is fair value at the point of harvest less costs to sell. Fair value at the point of harvest is based on the selling prices for similar oranges prevailing in the market as at or close to the harvest dates.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

### Retirement benefit costs

Payments to defined contribution schemes including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

### Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful live and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The Group's financial assets comprise held-to-maturity investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

*Financial assets*

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity.

The Group designated the investment in debt securities as held-to-maturity investments because the debt securities have fixed payments and maturity and the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, pledged bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

*Financial assets (Continued)*

Impairment of financial assets *(Continued)*

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified into other financial liabilities.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accruals, bank loans and convertible bonds are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received net of direct issue costs.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

*Convertible bonds*

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (capital reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in capital reserve until the embedded option is exercised in which case the balance stated in capital reserve will be transferred to retained profits. Where the option remains unexercised at the expiry date, the balance stated in capital reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

*Derecognition*

A financial asset is deregconised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is deregconised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Equity-settled share based payments

The fair value of services received determined by reference to the fair value of share options granted at date of grant, is expensed in full at the grant date when the share options granted vest immediately with a corresponding increase in equity (capital reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital reserve.

When share options are exercised, the amount previously recognised in capital reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in capital reserve will be transferred to retained profits.

### Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, including short-term deposits, which have original maturity within three months or less and are not restricted as to use.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

### Impairment losses on tangible and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Impairment losses on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)** *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosure made in the consolidated financial statements.

*Legal title of buildings*

Despite the Group had paid the full purchase consideration for the buildings, formal titles of certain of the Group's rights to the use of the buildings were not yet granted from the relevant government authorities as stated in note 17. In the opinion of the Directors, the absence of formal title to these buildings does not impair the value of the relevant properties to the Group.

*Held-to-maturity investments*

The Directors have reviewed the Group's held-to-maturity investments in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity investments is approximately RMB15,993,000 (2014: RMB16,010,000). Details of these assets are set out in note 22.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

*Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2015, the carrying amount of goodwill was approximately RMB56,696,000 (2014: RMB56,696,000). Details of the recoverable amount and calculation are disclosed in note 20. During the years ended 30 June 2015 and 2014, no impairment loss was provided.

*Estimated impairment of property, plant and equipment*

Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. As at 30 June 2015, the carrying amount of property, plant and equipment was approximately RMB427,117,000 (2014: RMB394,274,000). During the years ended 30 June 2015 and 2014, no impairment loss was provided.

*Amortisation and estimated impairment of intangible assets*

The Directors determine the estimated useful lives and related amortisation charges for intangible assets (customer list and customer relationship). This estimate is based on the estimated churn periods of the customer base and experience in similar business. The Directors will increase the amortisation charge where useful lives are less than previously estimated lives.

Customer list and customer relationships are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of customer list and customer relationship have been determined based on the value-in-use calculations and business relationship. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the intangible assets (customer list) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. For customer relationship, as the business relationship with the customer has been ended during the year and the Directors considered that no revenue will be generated from the customer relationship, amount of customer relationship has been fully impaired. As at 30 June 2015, the carrying amount of intangible assets was approximately RMB51,009,000, net of accumulated impairment loss of approximately RMB46,507,000 (2014: RMB75,547,000, net of accumulated impairment loss of approximately RMB28,093,000).

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

*Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and the residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and the residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Depreciation of property, plant and equipment amounting to approximately RMB31,548,000 (2014: RMB23,934,000) for the year ended 30 June 2015 was recognised in the consolidated statement of profit or loss and other comprehensive income and the carrying value of property, plant and equipment was approximately RMB427,117,000 (2014: RMB394,274,000) as at 30 June 2015.

*Net realisable value of inventories*

The management of the Group reviews the inventories listing on a product-by-product basis at the end of the reporting period and the carrying amount of inventories was approximately RMB69,344,000 (2014: RMB30,986,000) as at 30 June 2015. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions and the historical experience of manufacturing and selling products of similar nature. During the years ended 30 June 2015 and 2014, no write-down of inventories was provided.

*Impairment of trade receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2015, the carrying amount of trade receivables amounted to approximately RMB78,590,000 (2014: RMB38,205,000). During the years ended 30 June 2015 and 2014, no impairment loss was provided.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

*Impairment of other receivables*

The policy for making impairment loss on other receivables of the Group is based on the evaluation of collectability of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor.

As at 30 June 2015, the Group's carrying amount of other receivables amounted to approximately RMB19,195,000 (2014: RMB20,080,000), net of impairment loss of nil (2014: nil).

*Fair value of biological assets and agricultural produce*

The Group's biological assets are measured at cost from initial recognition unless fair value can be reliably measured.

All oranges are harvested shortly before the calendar year end. At the end of each reporting period, there is only little biological transformation for the following year's harvest has taken place and therefore biological assets are stated at cost as the Directors consider that their fair value cannot be measured reliably and no reliable alternative estimates exist to determine the fair value.

In addition, for the reasons set out in note 25, the Directors consider that there is no active market for the biological assets at the end of June each year and their fair value cannot be measured reliably and no reliable alternative estimates exist to determine fair value. Therefore, the biological assets at the end of June continue to be stated at cost less impairment (if any).

Once the fair value of the Group's biological assets becomes reliably measurable, they are then measured at their fair value less costs to sell.

The Group's agricultural produce are measured at fair value less costs to sell at the point of harvest. The Directors are of the view that there is no quoted price in the market and the fair value is therefore determined based on the most recent market price as at or close to the harvest dates in the local area. As at 30 June 2015, the carrying amount of biological assets amounted to approximately RMB95,831,000 (2014: RMB90,485,000).

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

*Income tax*

The Group operates in the agricultural industry in the PRC, in which income tax exemptions are granted to certain subsidiaries of the Group. There are certain agricultural transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises income tax expense and related liabilities for anticipated tax issues based on estimates that current tax exemption will be granted to the Group on an ongoing basis. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through pricing products commensurately with the level of risk and securing access to finance at a reasonable cost. The overall strategy of the Group remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank loans, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the issue of new shares as well as the issue of new debts or the redemption of existing debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the debt covenant requirement of the loan agreements entered into in current year.

## 6. FINANCIAL RISK MANAGEMENT

### a. Categories of financial instruments

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2015 and 2014 were categorised as follows:

| | **2015**<br>**RMB'000** | 2014<br>RMB'000 |
|---|---|---|
| Held-to-maturity investments | **15,993** | 16,010 |
| Loans and receivables (including cash and cash equivalents) | **697,100** | 742,107 |
| Financial liabilities at amortised cost | **606,292** | 663,193 |

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, pledged bank deposits, cash and cash equivalents, trade payables, other payables and accruals, bank loans and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk*

Foreign currency risk

The companies of the Group mainly operated in their local jurisdiction with most of the transactions settled in their functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits (note 28) and fixed-rate bank loans (note 32).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 29) and variable-rate bank loans (note 32). It is the Group's policy to keep certain of its bank loans at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

It is estimated that a general increase/decrease of 100 basis points (2014: 100 basis points) in interest rates, with all other variables held constant, would increase/decrease (2014: increase/decrease) the Group's profit after tax and retained profits by approximately RMB2,481,000 (2014: RMB3,349,000) for the year. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans and bank balances.

The sensitivity analysis above has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The 100 basis points (2014: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates. The analysis is performed on the same basis for the year ended 30 June 2014.

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

*Credit risk*

As at 30 June 2015 and 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Trade receivables are due within the credit period from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At 30 June 2015, none (2014: none) and 69% (2014: 86%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2014: 100%) of the total trade receivables at the end of the reporting period.

The credit risk on the Group's liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

*Liquidity risk*

In the management of the liquidity risk, the Group regularly monitors its liquidity requirements and its compliance with lending covenants and ensure that it maintains sufficient reserves of cash to meet is liquidity requirements in the short and long term.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

| | Less than 1 year or on demand RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 3 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|
| **At 30 June 2015** | | | | | |
| Trade payables | **12,063** | **–** | **–** | **12,063** | **12,063** |
| Other payables and accruals | **49,435** | **–** | **–** | **49,435** | **49,435** |
| Bank loans | **237,425** | **219,891** | **111,059** | **568,375** | **544,794** |
| | **298,923** | **219,891** | **111,059** | **629,873** | **606,292** |

| | Less than 1 year or on demand RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 3 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|
| **At 30 June 2014** | | | | | |
| Trade payables | 10,176 | – | – | 10,176 | 10,176 |
| Other payables and accruals | 12,597 | – | – | 12,597 | 12,597 |
| Bank loans | 240,108 | 46,929 | 140,476 | 427,513 | 410,490 |
| Convertible bonds | 263,990 | – | – | 263,990 | 229,930 |
| | 526,871 | 46,929 | 140,476 | 714,276 | 663,193 |

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

*Business risk*

The Group's revenue depends significantly on the ability to harvest oranges at adequate levels. The ability to harvest oranges in the Group's leased orange farms and the growth of the oranges may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of oranges available for harvesting in the Group's leased orange farms, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and quality. The Group has procedures in place aimed at monitoring and mitigating exposures to diseases, including regular farms inspections and pesticide prevention.

The Group has certain concentration risk of sales to its current major customers. The Group's revenue from the largest and the five largest customers amounted to approximately RMB146,069,000 (2014: RMB161,878,000) and RMB396,866,000 (2014: RMB461,671,000), which accounted for approximately 31% (2014: 28%) and 84% (2014: 81%) of the Group's total revenue for the year ended 30 June 2015 and 30 June 2014 respectively. The Group has no long-term contractual arrangement with these customers and there is no assurance that these major customers will continue their business dealings with the Group or that the revenue generated from dealing with these customers will increase or be maintained in the future. In the event that these customers ceased to purchase products from the Group and the Group could not secure orders from other customers, the Group's turnover and profitability would be adversely affected.

The Group is exposed to financial risks arising from changes in prices of oranges, concentrated orange juice, not-from-concentrate orange juice and the change in cost and supply of fertiliser and pesticides, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and diseases. The Group has little or no control over these conditions and factors. The Directors manage the risk by operating in several major plantation areas so as to reduce the concentration of sources of oranges.

### c. Fair value measurements of financial instruments

The Directors consider that the carrying amounts of current position of financial assets and liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values due to their immediate or short-term maturities. The fair value of the bondholders' redemption options is considered as nil as at 30 June 2014 and the date of the early redemption of convertible bonds given the Directors consider that the possibility of the occurrence of the events of change of control and delisting during both periods is nil.

## 7. REVENUE AND SEGMENT INFORMATION

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

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. No operating segment identified by the chief operating decision maker has been aggregated in arriving at the reportable segments of the Group.

During the year ended 30 June 2015, one more operating segment, production and sale of Summi NFCOJ, was identified as a result of the launch of Summi NFCOJ into the retail market during the year. Given that the new business is an operating segment that is separately reviewed by the chief operating decision maker, production and sale of Summi NFCOJ is considered as a separate reportable segment.

The Group's reportable and operating segments are as follows:

1. Plantation and sale of agricultural produce

2. Production and sale of FCOJ and other related products

3. Production and sale of Summi NFCOJ

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable and operating segment.

| | Plantation and sale of agricultural produce RMB'000 | Production and sale of FCOJ and other related products RMB'000 | Production and sale of Summi NFCOJ RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|
| **Year ended 30 June 2015** | | | | |
| **Segment revenue** | | | | |
| Sales to external customers | 146,069 | 311,473 | 13,292 | 470,834 |
| Intersegment sales | 41,421 | 893 | – | 42,314 |
| Segment revenue | 187,490 | 312,366 | 13,292 | 513,148 |
| Elimination | | | | (42,314) |
| Consolidated revenue | | | | 470,834 |
| **Segment results** | 20,419 | 86,547 | (4,776) | 102,190 |
| Unallocated gains | | | | 3,658 |
| Gain on early redemption of convertible bonds | | | | 23,342 |
| Corporate and other unallocated expenses | | | | (22,255) |
| Finance costs | | | | (32,733) |
| Profit before tax | | | | 74,202 |
| **As at 30 June 2015** | | | | |
| **Assets and liabilities** | | | | |
| Segment assets | 928,323 | 410,823 | 313,398 | 1,652,544 |
| Corporate and other unallocated assets | | | | 631,305 |
| Total assets | | | | 2,283,849 |
| Segment liabilities | 10,638 | 25,674 | 38,762 | 75,074 |
| Corporate and other unallocated liabilities | | | | 563,074 |
| Total liabilities | | | | 638,148 |

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

| | Plantation and sale of agricultural produce RMB'000 | Production and sale of FCOJ and other related products RMB'000 | Production and sale of Summi NFCOJ RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|
| **Year ended 30 June 2014** | | | | |
| **Segment revenue** | | | | |
| Sales to external customers | 161,878 | 407,321 | – | 569,199 |
| Intersegment sales | 27,962 | – | – | 27,962 |
| Segment revenue | 189,840 | 407,321 | – | 597,161 |
| Elimination | | | | (27,962) |
| Consolidated revenue | | | | 569,199 |
| **Segment results** | 39,012 | 133,312 | – | 172,324 |
| Unallocated gains | | | | 10,987 |
| Corporate and other unallocated expenses | | | | (19,818) |
| Finance costs | | | | (49,179) |
| Profit before tax | | | | 114,314 |
| **As at 30 June 2014** | | | | |
| **Assets and liabilities** | | | | |
| Segment assets | 920,179 | 619,642 | – | 1,539,821 |
| Corporate and other unallocated assets | | | | 722,465 |
| Total assets | | | | 2,262,286 |
| Segment liabilities | 10,640 | 26,422 | – | 37,062 |
| Corporate and other unallocated liabilities | | | | 663,586 |
| Total liabilities | | | | 700,648 |

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

The accounting policies of the operating segments are identical to the Group's accounting policies as described in note 3. Segment results represent the profit earned by/(loss from) each segment without allocation of central administration costs, director's remuneration, certain other revenue, gain on early redemption of convertible bonds and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

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

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

(b) all liabilities are allocated to operating segments other than bank loans, convertible bonds, income 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.

### Other segment information

| | Year ended 30 June 2015 | | | | |
|---|---|---|---|---|---|
| | Plantation and sale of agricultural produce RMB'000 | Production and sale of FCOJ and other related products RMB'000 | Production and sale of Summi NFCOJ RMB'000 | Unallocated RMB'000 | Consolidated RMB'000 |
| **Amounts included in the measure of segment profits or segment assets:** | | | | | |
| Depreciation and amortisation *(note 1)* | – | 30,371 | 7,685 | 171 | 38,227 |
| Additions to non-current assets *(note 2)* | – | 9,497 | 56,529 | 321 | 66,347 |
| Impairment loss on intangible assets | – | 18,414 | – | – | 18,414 |
| Loss on disposal of property, plant and equipment | – | 489 | – | – | 489 |
| Write-off of property, plant and equipment | – | 977 | – | – | 977 |
| Write-off of inventories | 8,800 | – | – | – | 8,800 |
| Gain from changes in fair value of biological assets less costs to sell | (30,178) | – | – | – | (30,178) |
| Government grants | – | (2,360) | – | – | (2,360) |
| **Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profits or segment assets:** | | | | | |
| Bank interest income | – | – | – | (1,529) | (1,529) |
| Interest income from pledged bank deposits | – | – | – | (866) | (866) |
| Interest income from held-to-maturity investments | – | – | – | (798) | (798) |
| Write-off of other receivables | – | – | – | 114 | 114 |
| Finance costs | – | – | – | 32,733 | 32,733 |
| Income tax credit | – | – | – | (3,823) | (3,823) |

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Other segment information *(Continued)*

| | Year ended 30 June 2014 | | | | |
|---|---|---|---|---|---|
| | Plantation and sale of agricultural produce RMB'000 | Production and sale of FCOJ and other related products RMB'000 | Production and sale of Summi NFCOJ RMB'000 | Unallocated RMB'000 | Consolidated RMB'000 |
| **Amounts included in the measure of segment profits or segment assets:** | | | | | |
| Depreciation and amortisation *(note 1)* | – | 32,723 | – | 147 | 32,870 |
| Additions to non-current assets *(note 2)* | – | 185,388 | – | – | 185,388 |
| Impairment loss on intangible assets | – | 28,093 | – | – | 28,093 |
| Loss on disposal of property, plant and equipment | – | 21 | – | 204 | 225 |
| Write-off of property, plant and equipment | – | 421 | – | – | 421 |
| Write-off of inventories | 4,982 | – | – | – | 4,982 |
| Gain from changes in fair value of biological assets less costs to sell | (51,032) | – | – | – | (51,032) |
| Government grants | – | (2,360) | – | – | (2,360) |
| **Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profits or segment assets:** | | | | | |
| Bank interest income | – | – | – | (2,626) | (2,626) |
| Interest income from pledged bank deposits | – | – | – | (2,702) | (2,702) |
| Interest income from advances | – | – | – | (754) | (754) |
| Interest income from held-to-maturity investments | – | – | – | (633) | (633) |
| Finance costs | – | – | – | 49,179 | 49,179 |
| Income tax credit | – | – | – | (2,555) | (2,555) |

*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 and excluded additions to lease prepayments for orange plantations, pledged bank deposits and held-to-maturity investments.

## 7. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Other segment information *(Continued)*

*Geographical information*

In view of the fact that the Group's operations and non-current assets are mainly located in the PRC (country of domicile), no geographical information about the Group's revenue from external customers and non-current assets are presented.

*Revenue from major products*

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Sales of FCOJ | **280,044** | 353,315 |
| Sales of Summi NFCOJ | **13,292** | – |
| Sales of fresh oranges | **146,069** | 161,878 |
| Sales of other products | **31,429** | 54,006 |
| | **470,834** | 569,199 |

*Information about major customers*

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Customer A[1] | **146,069** | 161,878 |
| Customer B[2] | **80,378** | 89,946 |
| Customer C[2] | **70,550** | 66,872 |
| Customer D[2] | **50,620** | 76,662 |
| Customer E[2] | **49,249** | 66,313 |

1 Revenue from plantation and sale of agricultural produce segment.

2 Revenue from production and sale of FCOJ and other related products segment.

## 8. OTHER REVENUE

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Bank interest income | **1,529** | 2,626 |
| Government grants *(note 34)* | **2,360** | 2,360 |
| Interest income from pledged bank deposits | **866** | 2,702 |
| Interest income from advances | **–** | 754 |
| Interest income from held-to-maturity investments | **798** | 633 |
| Net foreign exchange gain | **–** | 1,927 |
| Refund of land use tax and real estate tax *(note a)* | **–** | 1,635 |
| Others | **465** | 710 |
| | **6,018** | 13,347 |

*Note*:

(a) During the year ended 30 June 2014, the refund was awarded to the Group by the local government as incentives unconditionally primarily to encourage the development of the Group and its contribution to the local economic development.

## 9. OTHER OPERATING EXPENSES

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Donation | **–** | 2,000 |
| Loss on disposal of property, plant and equipment | **489** | 225 |
| Write-off of property, plant and equipment | **977** | 421 |
| Write-off of other receivables | **114** | – |
| Others | **39** | 16 |
| | **1,619** | 2,662 |

## 10. FINANCE COSTS

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Imputed interest expenses on convertible bonds *(note 33)* | **12,556** | 34,447 |
| Interest expenses on bank loans | **20,177** | 14,732 |
| | **32,733** | 49,179 |

## 11. PROFIT BEFORE TAX

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

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Staff costs, including Directors' and chief executive's remuneration | | |
| Wages, salaries and other benefits | **78,843** | 78,132 |
| Contributions to defined contribution plans | **7,733** | 7,459 |
| | **86,576** | 85,591 |
| Amortisation of land use rights | **555** | 532 |
| Amortisation of intangible assets | **6,124** | 8,404 |
| Depreciation of property, plant and equipment | **31,548** | 23,934 |
| Operating lease charges in respect of rented premises | **83,208** | 77,226 |
| Less: operating lease capitalised in biological assets | **(34,520)** | (32,785) |
| | **48,688** | 44,441 |
| Auditor's remuneration | **1,085** | 1,070 |
| Net foreign exchange loss | **1,170** | – |
| Write-off of inventories recognised in cost of sales | **8,800** | 4,982 |

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the six (2014: five) directors and one (2014: one) chief executive were as follows:

| | For the year ended 30 June 2015 | | | | |
|---|---|---|---|---|---|
| | Director's fee RMB'000 | Wages, salaries, and other benefits RMB'000 | Discretionary bonuses RMB'000 | Contributions to defined contribution plans RMB'000 | Total RMB'000 |
| **Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking** | | | | | |
| **Executive Directors** | | | | | |
| Mr. Sin Ke *(note (i))* | 1,558 | – | – | 14 | 1,572 |
| Mr. San Kwan | 1,366 | 720 | – | 14 | 2,100 |
| **Independent Non-executive Directors** | | | | | |
| Mr. Zhuang Xueyuan | 48 | – | – | – | 48 |
| Mr. Zhuang Weidong | 48 | – | – | – | 48 |
| Mr. Zeng Jianzhong | 48 | – | – | – | 48 |
| **Non-executive Director** | | | | | |
| Mr. Tsang Sze Wai, Claudius *(note (ii))* | 31 | – | – | – | 31 |
| **Chief Executive** | | | | | |
| Mr. Liao Yuang-whang *(note (iii))* | – | 886 | 148 | 7 | 1,041 |
| | 3,099 | 1,606 | 148 | 35 | 4,888 |

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

| | For the year ended 30 June 2014 | | | | |
|---|---|---|---|---|---|
| | Director's fee RMB'000 | Wages, salaries, and other benefits RMB'000 | Discretionary bonuses RMB'000 | Contributions to defined contribution plans RMB'000 | Total RMB'000 |
| **Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking** | | | | | |
| **Executive Directors** | | | | | |
| Mr. Sin Ke | 1,551 | – | – | 12 | 1,563 |
| Mr. San Kwan | 1,361 | 720 | 198 | 12 | 2,291 |
| **Independent Non-executive Directors** | | | | | |
| Mr. Zhuang Xueyuan | 48 | – | – | – | 48 |
| Mr. Zhuang Weidong | 48 | – | – | – | 48 |
| Mr. Zeng Jianzhong | 48 | – | – | – | 48 |
| **Chief Executive** | | | | | |
| Mr. Liao Yuang-whang | – | 1,759 | 5,155 | 12 | 6,926 |
| | 3,056 | 2,479 | 5,353 | 36 | 10,924 |

*Notes:*

(i) Mr. Sin Ke was appointed as chief executive on 1 December 2014.

(ii) Mr. Tsang Sze Wai, Claudius was appointed as non-executive director on 10 November 2014.

(iii) Mr. Liao Yuang-whang was resigned as chief executive on 1 December 2014.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 30 June 2015 and 2014.

During the years ended 30 June 2015 and 2014, no remuneration was paid by the Group to the Directors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

The remunerations of Directors and the chief executive were determined by the remuneration committee having regard to the performance of individuals and market trends.

## 13. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year ended 30 June 2015 included two Directors and a former chief executive (2014: two Directors and a chief executive). Details of whose remuneration are set out in note 12 above. The remuneration of the remaining two (2014: two) highest paid employees is set out below:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Wages, salaries and other benefits | **1,410** | 677 |
| Discretionary bonuses | **–** | 48 |
| Contributions to defined contribution plans | **6** | 33 |
| | **1,416** | 758 |

The remuneration is within the following bands:

| | Number of employees | |
|---|---|---|
| | **2015** | 2014 |
| Nil to HK$1,000,000 (equivalent to nil to RMB798,000) (2014: equivalent to nil to RMB801,000) | **1** | 2 |
| HK$1,000,001 to HK$1,500,000 (equivalent to RMB798,001 to RMB1,200,000) (2014: equivalent to RMB801,001 to RMB1,189,000) | **1** | – |

During the years ended 30 June 2015 and 2014, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 14. INCOME TAX CREDIT

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| **Current tax – PRC Enterprise Income Tax ("EIT")** | | |
| Provision for the year | **(2,311)** | (6,569) |
| **Deferred tax** | | |
| Reversal of temporary differences *(note 37)* | **6,134** | 9,124 |
| Income tax credit | **3,823** | 2,555 |

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.

## 14. INCOME TAX CREDIT *(Continued)*

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax for both years.

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 for both years.

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.

The applicable income tax rate for the rest of the Group's operating subsidiaries in the PRC is 25% for the years ended 30 June 2015 and 2014.

The income tax credit for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2015**<br>**RMB'000** | 2014<br>RMB'000 |
|---|---|---|
| Profit before tax | **74,202** | 114,314 |
| Tax at the statutory tax rate (25%) | **18,551** | 28,579 |
| Tax effect of non-deductible expenses | **12,873** | 11,289 |
| Tax effect of non-taxable income | **(4,164)** | (1,179) |
| Tax effect of different tax rates of subsidiaries operating in other jurisdictions | **1,478** | 4,255 |
| Tax effect of tax exemptions granted to subsidiaries in the PRC | **(33,325)** | (46,871) |
| Tax effect of tax loss not recognised | **764** | – |
| Withholding tax on interest income received by non-resident enterprise in the PRC | **–** | 1,372 |
| Income tax credit | **(3,823)** | (2,555) |

## 15. DIVIDEND

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Dividends recognised as distribution during the year:<br>2013 Final, paid – HK2.5 cents (equivalent to approximately RMB1.99 cents) per share (2015: nil) | – | 24,417 |
| | – | 24,417 |

No dividend was paid or proposed during the year ended 30 June 2015, nor has any dividend been proposed since the end of the reporting period (2014: RMB24,417,000).

## 16. 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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Earnings for the purpose of basic and diluted earnings per share | **78,025** | 116,869 |

### Number of shares

| | 2015 | 2014 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,345,393,330** | 1,260,424,847 |
| Effect of deemed issue of shares under the Company's share option scheme for nil consideration | **29,095,494** | 12,279,025 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,374,488,824** | 1,272,703,872 |

The calculation of diluted earnings per share for the year ended 30 June 2014 does not take into account the potential effect of the deemed conversion of convertible bonds into ordinary shares as it has an anti-dilutive effect on the basic earnings per share for the year.

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Buildings RMB'000 | Plant and machinery RMB'000 | Furniture, fittings and equipment RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| At 1 July 2013 | 119,694 | 162,423 | 2,054 | 5,146 | 33,775 | 323,092 |
| Additions | 856 | 1,849 | 166 | 2,280 | 173,464 | 178,615 |
| Transfer from construction in progress | – | 1,160 | – | – | (1,160) | – |
| Disposals | (5,144) | (65) | (17) | – | – | (5,226) |
| Write-offs | (537) | – | – | – | – | (537) |
| Exchange realignment | – | – | 3 | 4 | – | 7 |
| At 30 June 2014 and 1 July 2014 | 114,869 | 165,367 | 2,206 | 7,430 | 206,079 | 495,951 |
| Additions | 6,610 | 9,689 | 2,295 | 450 | 47,303 | 66,347 |
| Transfer from construction in progress | 123,853 | 94,665 | – | – | (218,518) | – |
| Disposals | – | (1,235) | – | (810) | – | (2,045) |
| Write-offs | (204) | (3,475) | (228) | (11) | – | (3,918) |
| At 30 June 2015 | 245,128 | 265,011 | 4,273 | 7,059 | 34,864 | 556,335 |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| At 1 July 2013 | 17,958 | 56,628 | 1,090 | 2,467 | – | 78,143 |
| Provided for the year | 6,095 | 16,879 | 340 | 620 | – | 23,934 |
| Eliminated on disposals | (232) | (40) | (16) | – | – | (288) |
| Eliminated on write-offs | (116) | – | – | – | – | (116) |
| Exchange realignment | – | – | 3 | 1 | – | 4 |
| At 30 June 2014 and 1 July 2014 | 23,705 | 73,467 | 1,417 | 3,088 | – | 101,677 |
| Provided for the year | 9,328 | 20,663 | 597 | 960 | – | 31,548 |
| Eliminated on disposals | – | (447) | – | (619) | – | (1,066) |
| Eliminated on write-offs | (47) | (2,688) | (197) | (9) | – | (2,941) |
| At 30 June 2015 | 32,986 | 90,995 | 1,817 | 3,420 | – | 129,218 |
| **CARRYING VALUES** | | | | | | |
| At 30 June 2015 | 212,142 | 174,016 | 2,456 | 3,639 | 34,864 | 427,117 |
| At 30 June 2014 | 91,164 | 91,900 | 789 | 4,342 | 206,079 | 394,274 |

## 17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, except for construction in progress, are depreciated at the following rates per annum on a straight-line basis:

| | |
|---|---|
| Buildings | 2.5% to 6.67% |
| Plant and machinery | 5% to 20% |
| Furniture, fittings and equipment | 20% to 33% |
| Motor vehicles | 10% to 20% |

At 30 June 2015, the carrying values of the Group's buildings located in the PRC amounted to approximately RMB212,142,000 (2014: RMB91,164,000). All the buildings situated on lands are held under medium-term lease.

At 30 June 2015, the Group has not obtained the building ownership certificate for buildings with carrying values of approximately RMB4,680,000 (2014: RMB5,012,000) from the relevant PRC government authorities. In the opinion of the Directors, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

At 30 June 2015, the carrying value of the Group's property, plant and equipment of approximately RMB86,395,000 (2014: RMB94,141,000) was pledged as security for the banking facilities granted to the Group.

## 18. LAND USE RIGHTS

| | RMB'000 |
|---|---|
| **COST** | |
| At 1 July 2013 | 20,268 |
| Additions | 6,773 |
| At 30 June 2014 and 30 June 2015 | 27,041 |
| **ACCUMULATED AMORTISATION** | |
| At 1 July 2013 | 2,299 |
| Provided for the year | 532 |
| At 30 June 2014 and 1 July 2014 | 2,831 |
| Provided for the year | 555 |
| At 30 June 2015 | 3,386 |
| **CARRYING VALUES** | |
| At 30 June 2015 | 23,655 |
| At 30 June 2014 | 24,210 |

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

At 30 June 2015, the carrying value of the Group's land use rights of approximately RMB15,105,000 (2014: RMB15,476,000) were pledged as security for the banking facilities granted to the Group.

## 19. LEASE PREPAYMENTS FOR ORANGE PLANTATIONS

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| At the beginning of the financial year | **829,695** | 623,330 |
| Additions | **84,463** | 282,893 |
| Amortisation | **(81,729)** | (76,528) |
| At the end of the financial year | **832,429** | 829,695 |
| Analysed for reporting purposes as: | | |
| Current portion | **84,432** | 81,815 |
| Non-current portion | **747,997** | 747,880 |
| | **832,429** | 829,695 |

Lease prepayments for orange plantations represent long-term rentals under operating leases for orange farms in the PRC.

## 20. GOODWILL

| | RMB'000 |
|---|---|
| **COST AND CARRYING VALUE** | |
| At 1 July 2013, 30 June 2014 and 30 June 2015 | 56,696 |

On 9 November 2011, the Group acquired entire equity interests in Global One Management Limited ("Global One") and its subsidiaries (collectively referred as the "Global One Group"), and goodwill of approximately RMB56,696,000 was recognised upon acquisition.

### Impairment test on goodwill

The Directors conducted impairment review on goodwill attributable to Global One Group at 30 June 2015 by reference to a valuation report issued by Grant Sherman Appraisal Limited ("Grant Sherman"), an independent qualified professional valuer not connected with the Group, who has among its staff members of the Hong Kong Institute of Surveyors. The recoverable amount of Global One Group has been determined by reference to value in use calculations. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of approximately 15% per annum (2014: 15% per annum). The cash flows beyond the five-year period are extrapolated using 3% (2014: 3%) average growth rate. These average growth rates are based on the relevant industry growth rates forecasts and do not exceed the long-term average growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows including budgeted sales and gross margin, such estimation is based on the past experience and management's expectations for the market development. The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

## 21. INTANGIBLE ASSETS

| | Customer list RMB'000 | Customer relationship RMB'000 | Total RMB'000 |
|---|---|---|---|
| **COST** | | | |
| At 1 July 2013, 30 June 2014 and 2015 | 82,390 | 43,660 | 126,050 |
| **ACCUMULATED AMORTISATION AND IMPAIRMENT** | | | |
| As at 1 July 2013 | 9,155 | 4,851 | 14,006 |
| Provided for the year | 5,493 | 2,911 | 8,404 |
| Impairment loss recognised | – | 28,093 | 28,093 |
| At 30 June 2014 and 1 July 2014 | 14,648 | 35,855 | 50,503 |
| Provided for the year | 5,493 | 631 | 6,124 |
| Impairment loss recognised | 11,240 | 7,174 | 18,414 |
| At 30 June 2015 | 31,381 | 43,660 | 75,041 |
| **CARRYING VALUES** | | | |
| At 30 June 2015 | 51,009 | – | 51,009 |
| At 30 June 2014 | 67,742 | 7,805 | 75,547 |

## 21. INTANGIBLE ASSETS *(Continued)*

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

As at 30 June 2015 and 2014, the management assessed the recoverable amount of the intangible assets with reference to a valuation report issued by Grant Sherman. The recoverable amount has been determined on the basis of value-in-use calculations. The key assumptions used for the value-in-use calculation are as follows:

| | 2015 | 2014 |
|---|---|---|
| **Customer relationship** | | |
| Forecast period | **N/A** | 2015-2026 |
| Growth rate (Weighted average growth rate) | **N/A** | 4% |
| Net profit margin (Average net profit margin) | **N/A** | 19% |
| Customer churn rate | **N/A** | 7% |
| Discount rate | **N/A** | 17.04% |
| **Customer list** | | |
| Forecast period | **2016-2026** | 2015-2026 |
| Growth rate (Weighted average growth rate) | **–3%** | 2% |
| Net profit margin (Average net profit margin) | **18%** | 24% |
| Customer churn rate | **7%** | 7% |
| Discount rate | **16.89%** | 17.04% |

These calculations use cash flow projections based on financial budgets approved by the management covering a 11-year period. Growth rate on budgeted sales is based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of intangible assets to exceed its recoverable amount.

During the year ended 30 June 2015, the Group recognised an impairment loss of approximately RMB11,240,000 (2014: nil) and RMB7,174,000 (2014: RMB28,093,000) in relation to the customer list and customer relationship respectively as there were a significant decline in revenue derived from these customers.

## 22. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments comprised:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Debt securities, unlisted | **15,993** | 16,010 |

The Group's held-to-maturity investments represented debt securities that were issued by financial institution in Macau, and carried fixed interest at 6% per annum (2014: 6%), payable semi-annually, and would mature on 30 October 2023. At 30 June 2015, the carrying value of the Group's debt securities of approximately RMB15,993,000 (2014: nil) were pledged as security for the banking facilities granted to the Group.

## 23. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

| Name of subsidiary | Class of shares held | Place and date of establishment/ incorporation | Particulars of issued share capital/paid up registered capital | Percentage of ownership interest attributable to the Company 2015 Direct % | 2015 Indirect% | 2014 Direct % | 2014 Indirect% | Principal activities |
|---|---|---|---|---|---|---|---|---|
| Sunshine Vocal Limited | Ordinary shares | The BVI 17 July 2007 | US dollars ("US$") 100,000 | **100** | **-** | 100 | - | Investment holding in Hong Kong |
| Rich Anges Limited | Ordinary shares | The BVI 10 October 2007 | US$1 | **100** | **-** | 100 | - | Investment holding in Hong Kong |
| Potel Limited | Ordinary shares | Hong Kong 3 September 2007 | HK$1 | **-** | **100** | - | 100 | Investment holding in Hong Kong |
| Manwell (China) Limited | Ordinary shares | Hong Kong 22 November 2007 | HK$1 | **-** | **100** | - | 100 | Investment holding in Hong Kong |
| Global One | Ordinary shares | The BVI 18 August 2010 | US$1 | **-** | **100** | - | 100 | Investment holding in Hong Kong |
| Grace Smart Asia Limited *(note (c))* | Ordinary shares | Hong Kong 16 September 2010 | HK$1 | **-** | **-** | - | 100 | Inactive |
| Summi (HK) Asia Limited *(note (d))* | Ordinary shares | Hong Kong 15 July 2014 | HK$1 | **-** | **100** | - | - | Sales of NFCOJ in Hong Kong |

## 23. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

| Name of subsidiary | Class of shares held | Place and date of establishment/ incorporation | Particulars of issued share capital/paid up registered capital | Percentage of ownership interest attributable to the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | 2015 | | 2014 | | |
| | | | | Direct % | Indirect% | Direct % | Indirect% | |
| 森美(福建)食品有限公司 Summi (Fujian) Food Co. Limited* ("Summi Fujian") *(note (a))* | Contributed capital | The PRC 15 March 1993 | RMB80,000,000 | - | 100 | – | 100 | Manufacturing and selling of FCOJ in PRC |
| 三明森美食品有限公司 Sanming Summi Food Co. Limited* ("Sanming Summi") *(note (b))* | Contributed capital | The PRC 27 September 2007 | RMB10,000,000 | - | 100 | – | 100 | Manufacturing and selling of FCOJ in the PRC |
| 重慶天邦食品有限公司 Chongqing Tianbang Food Co. Limited* ("Chongqing Tianbang") *(note (a))* | Contributed capital | The PRC 23 July 2008 | HK$80,000,000 | - | 100 | – | 100 | Manufacturing and selling of FCOJ in the PRC |
| 懷化歐勁果業有限公司 ("Oujing") *(note (b))* | Contributed capital | The PRC 21 June 2007 | RMB30,000,000 | - | 100 | – | 100 | Manufacturing and selling of FCOJ in the PRC |
| 重慶尚果農業科技有限公司 Chongqing Shangguo Fruit Technology Co, Ltd.* ("Chongqing Shangguo") *(note (b))* | Contributed capital | The PRC 16 December 2008 | RMB35,000,000 | - | 100 | – | 100 | Manufacturing and selling of NFC Orange Juice in the PRC |
| 重慶邦興果業有限公司 Chongqing Bangxing Fruit Co., Ltd.* ("Chongqing Bangxing") *(note (b))* | Contributed capital | The PRC 18 November 2011 | RMB2,000,000 | - | 100 | – | 100 | Sale of fresh oranges in the PRC |
| 懷化森美農業有限公司 *(notes (b) and (e))* | Contributed capital | The PRC 25 October 2012 | RMB500,000 | - | - | – | 100 | Inactive |
| 廈門晨毅商貿有限公司 *(notes (b) and (f))* | Contributed capital | The PRC 17 July 2014 | RMB5,000,000 | - | 100 | – | – | Inactive |

* The English translation is for identification purposes only.

*Notes:*

(a) Wholly-owned foreign enterprise
(b) Companies incorporated as private companies in the PRC
(c) The entity was deregistered on 23 July 2014.
(d) The entity was incorporated on 15 July 2014.
(e) The entity was deregistered on 10 September 2014.
(f) The entity was incorporated on 17 July 2014.

None of the subsidiaries had any debt securities outstanding at the end of both years or during both years.

## 24. INVENTORIES

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Consumables and packing materials | **2,027** | 413 |
| Summi NFCOJ | **25,269** | – |
| FCOJ | **42,048** | 30,573 |
| | **69,344** | 30,986 |

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Carrying amount of inventories sold | **291,836** | 356,124 |
| Write-off of inventories | **8,800** | 4,982 |
| Cost of inventories recognised as cost of sales | **300,636** | 361,106 |

Production quantities of agricultural produce are as follows:

| | 2015<br>Tonnes | 2014<br>Tonnes |
|---|---|---|
| Oranges | **135,357** | 131,340 |

## 25. BIOLOGICAL ASSETS

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

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| At the beginning of the financial year | **90,485** | 72,657 |
| Increase due to cultivation | **167,986** | 162,546 |
| Gain from changes in fair value less cost to sell *(note a)* | **30,178** | 51,032 |
| Harvested oranges transferred to inventories | **(192,818)** | (195,750) |
| At the end of the financial year *(note b)* | **95,831** | 90,485 |

*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 were harvested annually and harvest season was commenced shortly before the calendar year end with the duration of five months. The Directors considered 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 was 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 considered that the fair value of biological assets at the end of the reporting period could not be measured reliably and no reliable alternative estimates existed to determine fair value. Therefore, biological assets continued to be stated at cost as at 30 June 2015 and 2014.

The carrying value of biological assets as at 30 June 2015 and 2014 represented cultivation costs incurred including fertilisers, pesticides, labour costs and orange farm rental costs.

## 26. TRADE RECEIVABLES

The Group allowed a credit period ranging from 28 to 90 days (2014: 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:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Neither past due nor impaired | **78,590** | 38,205 |

Trade receivables that were neither past due nor impaired related to customers that had no recent history of default payment.

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

## 27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Other receivables | **19,195** | 20,080 |
| Deposits and prepayments | **1,068** | 2,276 |
| | **20,263** | 22,356 |

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

At 30 June 2015, included in other receivables was advance of HK$3,000,000 (equivalent to approximately RMB2,398,000) made to an independent third party. The advance was interest free, unsecured and repayable within one year.

At 30 June 2014, included in other receivables were advances in aggregate amount of HK$23,000,000 (equivalent to approximately RMB18,412,000) made to independent third parties. The advances were unsecured and carried fixed interest rate in range of 7% – 7.2% per annum and repayable within one year. During the year ended 30 June 2015, the balances were fully settled.

## 28. PLEDGED BANK DEPOSITS

| | *Notes* | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| Pledged bank deposits | | | |
| Pledged to secure an interest-bearing bank loan | | **182,000** | 200,238 |
| Pledged to secure an interest payable | | **–** | 1,932 |
| | | **182,000** | 202,170 |
| Less: Current portion of pledged bank deposits | *(a)* | **(12,000)** | (31,108) |
| Non-current portion of pledged bank deposits | *(b)* | **170,000** | 171,062 |

*Notes:*

(a) As at 30 June 2015, short-term deposit of approximately RMB12,000,000 was pledged by one of the Group's subsidiary in PRC to secure interest-bearing loan of approximately RMB11,940,000 for one of the Group's PRC subsidiary. As the loan would mature in the year ending 30 June 2016, the bank deposits were classified as current assets as at 30 June 2015.

As at 30 June 2014, short-term deposits of approximately RMB18,938,000 and RMB10,238,000 were pledged by the Company and one of the Group's subsidiary in Hong Kong, respectively, to secure interest-bearing loans of approximately RMB16,010,000 for the Company and approximately RMB9,500,000 for one of the Group's PRC subsidiary respectively. As both of the loans would mature in the year ending 30 June 2015, the bank deposits were classified as current assets as at 30 June 2014.

As at 30 June 2014, short-term deposit of approximately RMB1,932,000 was pledged by the Company to secure the short-term interest payable of the Company, and thus the bank deposit was classified as current asset as at 30 June 2014.

## 28. PLEDGED BANK DEPOSITS *(Continued)*

*Notes: (Continued)*

(b) As at 30 June 2015, a three-year term deposit of RMB170,000,000 (2014: RMB171,062,000) was pledged by one of the Company's subsidiaries in Hong Kong to secure an interest-bearing long-term bank loan of RMB101,300,000 (2014: RMB103,300,000) and an interest-bearing short-term bank loan of RMB60,500,000 (2014: RMB60,500,000) for two of the Group's PRC subsidiaries respectively. As the whole sum of deposits would mature in the year ending 30 June 2017 upon the repayment of these long-term bank loans, the pledged deposits were classified as non-current assets as at 30 June 2015.

(c) The pledged bank deposits carried fixed interest rates ranging from 0.05% to 0.39% (2014: 0.05% to 3.37%) per annum.

## 29. CASH AND CASH EQUIVALENTS

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Bank balances and cash | **430,922** | 481,652 |

At 30 June 2015, bank balances and cash of the Group denominated in RMB amounted to approximately RMB426,821,000 (2014: RMB404,272,000). 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 carried interest at market rates ranging from 0.001% to 0.39% (2014: 0.001% to 0.75%) per annum.

## 30. TRADE PAYABLES

The Group had financial risk management policies in place to ensure all payables are settled within the credit timeframe. The average credit period on purchase of goods was 90 days or on demand (2014: 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.

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Due within 3 months or on demand | **12,063** | 10,176 |

## 31. OTHER PAYABLES AND ACCRUALS

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Payables for acquisition of property, plant and equipment | **37,431** | – |
| Accrued sales commission | **4,493** | 6,649 |
| VAT payables | **6,751** | 4,252 |
| Accrued staff costs | **3,286** | 3,097 |
| Interest payables | **1,947** | 1,094 |
| Other payables and accruals | **2,278** | 1,757 |
| | **56,186** | 16,849 |

## 32. BANK LOANS

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Carrying amount repayable (based on scheduled repayment dates set out in the loan agreement): | | |
| Within one year | **228,254** | 229,734 |
| After one year, but within two years | **207,920** | 41,728 |
| After two years, but within five years | **108,620** | 139,028 |
| | **544,794** | 410,490 |
| Less: Amounts shown under current liabilities | **(228,254)** | (229,734) |
| Amounts shown under non-current liabilities | **316,540** | 180,756 |

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Secured | **262,733** | 262,310 |
| Unsecured | **282,061** | 148,180 |
| | **544,794** | 410,490 |

## 32. BANK LOANS *(Continued)*

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Fixed-rate borrowings | **262,733** | 187,310 |
| Variable-rate borrowings | **282,061** | 223,180 |
| | **544,794** | 410,490 |

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Bank loans held by: | | |
| PRC companies | **246,740** | 246,300 |
| Non-PRC companies | **298,054** | 164,190 |
| | **544,794** | 410,490 |

As at 30 June 2015, included in the Group's unsecured bank loans was a three-year term loan facility in an aggregate sum of USD35,000,000 (equivalent to approximately RMB217,240,000) ("Credit Facility I") for the purpose of production scale expansion. The Credit Facility I was jointly guaranteed by Mr. Sin Ke and the companies incorporated or invested by the Company outside the PRC. According to the repayment terms, 25% of the principal will be repaid upon the 24th and 30th months from the borrowing date, the remaining 50% of the principal will be repaid at maturity date on 13 October 2017. Details of the Credit Facility I were set out in the announcement issued by the Company on 14 October 2014.

As at 30 June 2014, included in the Group's unsecured bank loans was a three-year term loan facility in an aggregate sum of USD16,000,000 (equivalent to approximately RMB99,320,000) ("Credit Facility II") for the purpose of production scale expansion. The Credit Facility II was jointly guaranteed by Mr. Sin Ke and the companies incorporated or invested by the Company outside the PRC. According to the repayment terms, 20% of the principal would be repaid upon the 18th, 24th and 30th months from the borrowing date, the remaining 40% of the principal would be repaid at maturity date on 3 October 2016. Details of the Credit Facility II were set out in the announcement issued by the Company on 4 October 2013.

## 32. BANK LOANS *(Continued)*

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:

| | **2015** | 2014 |
|---|---|---|
| Fixed-rate bank loans | **2.89% – 7.84%** | 2.89% – 7.80% |
| Variable-rate bank loans | **3.28% – 4.54%** | 2.55% – 4.86% |

At 30 June 2015, bank loans of approximately RMB173,740,000 (2014: RMB189,310,000), RMB73,000,000 (2014: RMB73,000,000) and RMB15,993,000 (2014: nil) were secured by i) pledged bank deposits and ii) certain property, plant and equipments and land use rights iii) held-to-maturity investments of the Group respectively as set out in note 41. In addition, at 30 June 2015 and 2014, certain bank loans were guaranteed by a director, Mr. Sin Ke.

## 33. 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 "2012 CB") to an independent third party. The issue of the 2012 CB was completed on 18 May 2012.

The principal terms of the 2012 CB are as follows:

### (i) Optional conversion

Each bond will, at the option of the bondholder, 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$1.89 per share. A total of 123,174,603 Shares will be allotted and issued upon full conversion of the 2012 CB at the conversion price with HK$ principal amount of the 2012 CB.

### (ii) Redemption at maturity

Unless previously redeemed, converted, or purchased and cancelled, the 2012 CB will be redeemed on 18 May 2015 at an amount equal to their HK$ principal amount multiplied by 137.5938%.

### (iii) Redemption at the option of the bondholder

The Company will, at the option of the bondholder, redeem all or some of the 2012 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.

## 33. CONVERTIBLE BONDS *(Continued)*

As the functional currency of the Company is HK$, the conversion of the 2012 CB will be settled by exchange of a fixed amount of cash in HK$ with a fixed number of the Company's equity instruments. In accordance with the requirements of IAS 39 Financial Instruments — Recognition and Measurement, the 2012 CB contract needs to be separated into a liability component consisting of the straight debt element of the 2012 CB, a number of embedded financial derivatives consisting of redemption options, and an equity component representing the conversion options of the bondholders to convert the 2012 CB into equity. The proceeds received from the issue of the 2012 CB have been split as follows:

(i) Liability component represents the fair value of the contractually determined stream of cash flows discounted at the prevailing market interest rate applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives and the conversion features. The interest charged for the period is calculated by applying an effective interest rate of 16.79% to the liability component since the 2012 CB were issued.

(ii) Embedded derivatives comprise the fair value of the bondholder's redemption options.

(iii) Equity component represents the conversion options, which is determined by deducting the fair value of the liability component and financial derivatives from the proceeds of issue of the compound financial instrument as a whole.

The fair value of the liability component of the 2012 CB was calculated using the Discounted Cash Flow model by Avista Valuation Advisory Limited. The major inputs used in the model as at 18 May 2012 were as follows:

| | Liability component of the Company |
|---|---|
| Stock price | HK$1.33 |
| Exercise price | HK$1.89 |
| Risk-free rate | 0.43% |
| Expected life | 3 years |
| Volatility | 61.34% |

Any changes in the major inputs used in the model will result in changes in the fair value of the liability component. The variables and assumptions used in calculating the fair value of the liability component are based on the Directors' best estimates.

The Directors considered the possibility of the occurrence of the events of change of control and delisting was nil and the fair value of the bondholder's redemption options was nil as at 18 May 2012, 30 June 2013 and 30 June 2014.

On 6 November 2014, the Company, Mr. Sin Ke and the bondholder entered into an agreement in relation to the early redemption of the 2012 CB. A total redemption amount of HK$274,448,000 (equivalent to approximately RMB216,513,000) was agreed to retire all outstanding principal and accrued but unpaid interest borne under the 2012 CB. The Company has fully redeemed the convertible bonds on 12 November 2014.

## 33. CONVERTIBLE BONDS *(Continued)*

The movement of the liability and equity components of the 2012 CB for the year is set out below:

| | Liability component RMB'000 | Equity component RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 July 2013 | 199,369 | 11,474 | 210,843 |
| Interest charged during the year *(note 10)* | 34,447 | – | 34,447 |
| Interest accrued (included in other payable) | (6,457) | – | (6,457) |
| Exchange realignment | 2,571 | – | 2,571 |
| At 30 June 2014 and 1 July 2014 | 229,930 | 11,474 | 241,404 |
| Interest charged during the year *(note 10)* | 12,556 | – | 12,556 |
| Early redemption of convertible bonds | (215,763) | (750) | (216,513) |
| Gain on early redemption of convertible bonds | (23,342) | – | (23,342) |
| Transfer to retained earnings upon early redemption of convertible bonds | – | (10,724) | (10,724) |
| Exchange realignment | (3,381) | – | (3,381) |
| At 30 June 2015 | – | – | – |

No conversion of the convertible bonds has occurred during the years ended 30 June 2015 and 2014.

## 34. DEFERRED INCOME

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

| | RMB'000 |
|---|---|
| At 1 July 2014 | 15,340 |
| Amortised during the year | (2,360) |
| At 30 June 2014 and 1 July 2014 | 12,980 |
| Amortised during the year | (2,360) |
| At 30 June 2015 | 10,620 |

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 were not recurring in nature and were not only available to the Group. There was no assurance that the Group would receive these government grants in the future.

## 35. EQUITY-SETTLED SHARE BASED PAYMENTS

A share option scheme was adopted pursuant to a written resolution of the shareholders of the Company passed on 7 June 2008 and refreshed at the annual general meeting held on 5 November 2012 (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 full-time employees of the Group.

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

On 4 January 2013, the Company granted 62,400,000 share options with a subscription price of HK$1.15 per share to certain qualified participants.

On 21 March 2013, the Company granted 57,200,000 share options with a subscription price of HK$1.03 per share to certain qualified participants.

## 35. EQUITY-SETTLED SHARE BASED PAYMENTS *(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 | |
| 4 January 2013 ("2013 Option 1") | 62,400,000 | HK$1.15 | On the grant date | 100 | 3 January 2014 |
| 21 March 2013 ("2013 Option 2") | 57,200,000 | HK$1.03 | On the grant date | 100 | 20 March 2015 |
| Total options granted | 168,600,000 | | | | |

The following table discloses movements of the Company's share options held by Directors and employees for the year ended 30 June 2015:

| Option type | Outstanding at 1/7/2014 | Lapsed during the year | Exercised during the year | Outstanding at 30/6/2015 |
|---|---|---|---|---|
| 2008 Option | **11,400,000** | **–** | **(11,400,000)** | **–** |
| 2013 Option 2 | **54,000,000** | **(54,000,000)** | **–** | **–** |
| | **65,400,000** | **(54,000,000)** | **(11,400,000)** | **–** |
| Exercisable at the end of the year | **65,400,000** | | | **–** |
| Weighted average exercise price | **HK$0.98** | **HK$1.03** | **HK$0.75** | **–** |

## 35. EQUITY-SETTLED SHARE BASED PAYMENTS *(Continued)*

The following table discloses movements of the Company's share options held by Directors and employees for the year ended 30 June 2014:

| Option type | Outstanding at 1/7/2013 | Lapsed during the year | Exercised during the year | Outstanding at 30/6/2014 |
|---|---|---|---|---|
| 2008 Option | 11,400,000 | – | – | 11,400,000 |
| 2013 Option 1 | 44,400,000 | (44,400,000) | – | – |
| 2013 Option 2 | 55,000,000 | – | (1,000,000) | 54,000,000 |
| | 110,800,000 | (44,400,000) | (1,000,000) | 65,400,000 |
| Exercisable at the end of the year | 110,800,000 | | | 65,400,000 |
| Weighted average exercise price | HK$1.05 | HK$1.15 | HK$1.03 | HK$0.98 |

The options outstanding at 30 June 2014 had a weighted average exercise price of HK$0.98 and a weighted average remaining contractual life of 1.36 years.

In respect of the share options exercised during the year, the weighted average share price at the date of exercise is HK$1.24 (2014: HK$1.30).

## 36. RETIREMENT BENEFITS PLANS

The Group operated the MPF Scheme for all qualifying employees in Hong Kong. The assets of the Scheme were 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 was matched by employees and subject to a cap of HK$1,250 from June 2012 to May 2014 and HK$1,500 thereafter per employee.

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.

The total expense recognised in profit or loss of approximately RMB7,733,000 (2014: RMB7,459,000) represents contributions payable to these schemes by the Group in respect of the current reporting period.

## 37. DEFERRED TAX LIABILITIES

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

| | Intangible assets RMB'000 | Undistributed retained profits of PRC subsidiaries RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 July 2013 | 28,011 | 1,250 | 29,261 |
| Credited to profit or loss | (9,124) | – | (9,124) |
| At 30 June 2014 and 1 July 2014 | 18,887 | 1,250 | 20,137 |
| Credited to profit or loss | (6,134) | – | (6,134) |
| At 30 June 2015 | 12,753 | 1,250 | 14,003 |

At 30 June 2015, the Group has unused tax losses of RMB3,057,000 (2014: nil) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The unrecognised tax losses will be expired after five years from the year of assessment to which they related to.

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 30 June 2014 and 2013, 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 30 June 2015, deferred tax liabilities of RMB1,250,000 (2014: 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 approximately RMB1,053,998 (2014: RMB864,552,000) have not been recognised at 30 June 2015, 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 30 June 2015 and 2014 will not be distributed in the foreseeable future.

## 38. SHARE CAPITAL

| | Number of shares | Amount HK$'000 | Amount RMB'000 |
|---|---|---|---|
| Ordinary shares of HK$0.01 each | | | |
| Authorised: | | | |
| As at 1 July 2013, 30 June 2014, and 30 June 2015 | 3,000,000,000 | 30,000 | 26,376 |
| Issued and fully paid: | | | |
| As at 1 July 2013 | 1,231,572,727 | 12,316 | 10,682 |
| Share issued under share option scheme *(note a)* | 1,000,000 | 10 | 8 |
| Shares issued by subscription *(note b)* | 103,888,000 | 1,039 | 830 |
| As at 30 June 2014 and 1 July 2014 | 1,336,460,727 | 13,365 | 11,520 |
| Share issued under share option scheme *(note a)* | 11,400,000 | 114 | 90 |
| As at 30 June 2015 | 1,347,860,727 | 13,479 | 11,610 |

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

*Notes:*

(a) During the year ended 30 June 2015, share options granted under the Share Option Scheme were exercised to subscribe for 11,400,000 (2014: 1,000,000) ordinary shares of the Company in aggregate of HK$0.01 each at a consideration of HK$8,550,000 (equivalent to approximately RMB6,779,000) (2014: HK$1,030,000 (equivalent to approximately RMB818,000)), of which HK$114,000 (equivalent to approximately RMB90,000) (2014: HK$10,000 (equivalent to approximately RMB8,000)) was credited to share capital and the balance of HK$8.436,000 (equivalent to approximately RMB6,689,000) (2014: HK$1,020,000 (equivalent to approximately RMB810,000)) was credited to the share premium account.

RMB3,080,000 (2014: RMB163,000) has been transferred from the capital reserve to the share premium. Details of the share option scheme are discussed in note 35.

(b) Pursuant to a subscription agreement dated 21 February 2014 and a supplemental agreement dated 5 March 2014, 103,888,000 shares were issued and allotted by the Company to Templetion Strategic Emerging Markets Fund, IV, LDC, at an issue price of HK$1.12 per share on 27 March 2014 at a consideration of HK$116,355,000 (equivalent to approximately RMB92,921,000), of which approximately HK$1,039,000 (equivalent to approximately RMB830,000) was credited to share capital and the balance of approximately HK$115,316,000 (equivalent to approximately RMB92,091,000) was credited to share premium account. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 28 October 2013 and rank pari passu with other shares in all respects. Details of the subscription of shares were set out in the announcements issued by the Company on 24 February 2014, 5 March 2014 and 27 March 2014.

## 39. 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) Capital reserve

The capital reserve of the Group at 30 June 2015 and 2014 comprises the following:

– The excess of paid-in capital of Summi Fujian of RMB3,585,000.

– The capital reserve of Sunshine Vocal in connection with the waiver of an equity shareholder's loan and related interest of RMB36,396,000.

– The difference between the consideration paid by Chongqing Shangguo to obtain the non-controlling interest in Sanming Tianyi and its carrying amount on the date of the acquisition.

– The fair value of the actual or estimated number of share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 3.

– The amount allocated to the equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 3.

### (c) 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.

### (d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company. The reserve is dealt with in accordance with the accounting policies set out in note 3.

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **466** | 302 |
| Investments in subsidiaries | **268,862** | 269,157 |
| Amounts due from subsidiaries | **394,400** | 441,376 |
| Held-to-maturity investments | **15,993** | 16,010 |
| | **679,721** | 726,845 |
| **Current assets** | | |
| Other receivables | **633** | 19,162 |
| Pledged bank deposits | **–** | 20,870 |
| Cash and cash equivalents | **1,623** | 20,427 |
| | **2,256** | 60,459 |
| **Current liabilities** | | |
| Other payables | **3,693** | 2,842 |
| Bank loans | **80,814** | 84,734 |
| Convertible bonds | **–** | 229,930 |
| | **84,507** | 317,506 |
| **Net current liabilities** | **(82,251)** | (257,047) |
| **Total assets less current liabilities** | **597,470** | 469,798 |
| **Non-current liabilities** | | |
| Bank loans | **217,240** | 79,456 |
| Amounts due to subsidiaries | **11,083** | 12,612 |
| | **228,323** | 92,068 |
| **Net assets** | **369,147** | 377,730 |
| **Capital and reserves** | | |
| Share capital | **11,610** | 11,520 |
| Reserves *(note a)* | **357,537** | 366,210 |
| **Total equity** | **369,147** | 377,730 |

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Movements in the reserves during the years are as follow:

| | Share premium RMB'000 | Capital reserve RMB'000 | Exchange reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 July 2013 | 409,997 | 30,292 | (19,139) | (75,630) | 345,520 |
| Loss for the year | – | – | – | (51,296) | (51,296) |
| Other comprehensive income for the year | | | | | |
| – Exchange differences arising on translation of foreign operations | – | – | 3,502 | – | 3,502 |
| Total comprehensive income/(expense) for the year | – | – | 3,502 | (51,296) | (47,794) |
| Shares issued under share option scheme *(note 38(a))* | 973 | (163) | – | – | 810 |
| Share option lapsed *(note 35)* | – | (5,448) | – | 5,448 | – |
| Shares issued by subscription *(note 38(b))* | 92,091 | – | – | – | 92,091 |
| Dividend paid *(note 15)* | (24,417) | – | – | – | (24,417) |
| At 30 June 2014 | 478,644 | 24,681 | (15,637) | (121,478) | 366,210 |
| At 30 June 2014 and 1 July 2014 | 478,644 | 24,681 | (15,637) | (121,478) | 366,210 |
| Loss for the year | – | – | – | (14,385) | (14,385) |
| Other comprehensive expense for the year | | | | | |
| – Exchange differences arising on translation of foreign operations | – | – | (227) | – | (227) |
| Total comprehensive expense for the year | – | – | (227) | (14,385) | (14,612) |
| Shares issued under share option scheme *(note 38(a))* | 9,769 | (3,080) | – | – | 6,689 |
| Share option lapsed *(note 35)* | – | (8,800) | – | 8,800 | – |
| Early redemption of convertible bonds *(note 33)* | – | (750) | – | – | (750) |
| Transfer to retained earnings upon early redemption of convertible bonds *(note 33)* | – | (10,724) | – | 10,724 | – |
| At 30 June 2015 | 488,413 | 1,327 | (15,864) | (116,339) | 357,537 |

## 41. PLEDGE OF ASSETS

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

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Held-to-maturity investments | **15,993** | – |
| Property, plant and equipment | **86,395** | 94,141 |
| Land use rights | **15,105** | 15,476 |
| Pledged bank deposits | **182,000** | 202,170 |
| | **299,493** | 311,787 |

## 42. 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:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Within one year | **124,396** | 21,409 |
| In the second to fifth years, inclusive | **161,862** | 144,197 |
| After fifth years | **36,750** | 122,955 |
| | **323,008** | 288,561 |

## 43. CAPITAL COMMITMENTS

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

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Acquisition of property, plant and equipment | **–** | 65,170 |

## 44. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the financial statements, the related party transactions including remuneration for key management personnel of the Group are as follows:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Short-term employee benefits | **6,932** | 12,781 |
| Contributions to defined contribution plans | **105** | 204 |
| | **7,037** | 12,985 |

## 45. EVENT AFTER THE REPORTING PERIOD

On 11 September 2015, the Company adopted the share award scheme (the "Share Award Scheme") under which the board of directors may, from time to time, award the Shares (the "Awarded Shares") to selected participants (including, without limitation, any Directors) of the Company or of any subsidiary (the "Selected Participant") pursuant to the terms of the trust deed of the Share Award Scheme. The Share Award Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

The number of Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company as at the adoption date. The maximum aggregate number of Awarded Shares which may be awarded to a Selected Participant shall not exceed 1% of the issued share capital of the Company as at the adoption date.

Up to the date of this annual report, no Awarded Shares have been granted by the Board. Details of the Share Award Scheme are set out in the announcement issued by the Company on 11 September 2015.

# Five Years Financial Summary

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the financial statements of the Groups are summarized below:

**Results**

| | **Year ended 30 June 2015 RMB'000** | Year ended 30 June 2014 RMB'000 | Year ended 30 June 2013 RMB'000 | Year ended 30 June 2012 RMB'000 | Year ended 30 June 2011 RMB'000 |
|---|---|---|---|---|---|
| Revenue | **470,834** | 569,199 | 525,774 | 650,999 | 445,185 |
| Profit for the year | **78,025** | 116,869 | 67,074 | 250,262 | 153,768 |

**Assets and liabilities**

| | **As at 30 June** | | | | |
|---|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | 2013 RMB'000 | 2012 RMB'000 | 2011 RMB'000 |
| Total assets | **2,283,849** | 2,262,286 | 1,869,630 | 1,690,691 | 1,090,437 |
| Total liabilities | **638,148** | 700,648 | 489,492 | 403,475 | 300,701 |