



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

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 00756)**

**Interim Results Announcement**

*For the six months ended 30 June 2008*

**FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>		
	<b>2008</b>	2007	Change %
	<b>RMB'000</b>	RMB'000	
	<b>(audited)</b>	(unaudited)	
Revenue	<b>126,408</b>	124,384	+1.6
Gross profit	<b>42,983</b>	34,810	+23.5
Profit for the period	<b>26,398</b>	23,369	+13.0
Profit attributable to Shareholders	<b>23,995</b>	21,032	+14.1
Earnings per share – Basic (RMB cents)	<b>3.20</b>	2.80	+14.3

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

The board of directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2008 together with the comparative figures for the corresponding period in 2007.

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2008</b>	2007
		<b>RMB'000</b>	RMB'000
		<b>(audited)</b>	(unaudited)
<b>Revenue</b>	3	<b>126,408</b>	124,384
Cost of sales		<b>(83,425)</b>	(89,574)
<b>Gross profit</b>		<b>42,983</b>	34,810
Other income	4	<b>600</b>	–
Distribution costs		<b>(1,998)</b>	(1,172)
Administrative expenses		<b>(3,476)</b>	(2,202)
Other expenses		<b>(197)</b>	(7)
<b>Profit from operations</b>		<b>37,912</b>	31,429
Finance income		<b>450</b>	89
Finance expenses		<b>(2,265)</b>	(413)
<b>Net finance costs</b>	6	<b>(1,815)</b>	(324)
<b>Profit before tax</b>		<b>36,097</b>	31,105
Income tax	7	<b>(9,699)</b>	(7,736)
<b>Profit for the period</b>		<b>26,398</b>	23,369
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>23,995</b>	21,032
Minority interests		<b>2,403</b>	2,337
<b>Profit for the period</b>		<b>26,398</b>	23,369
<b>Earnings per share (RMB cents)</b>			
– Basic	8	<b>3.20</b>	2.80
<b>Interim dividend</b>	12	–	–

## CONSOLIDATED BALANCE SHEET

As at 30 June 2008

		As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		30,480	27,459
Land use rights		2,486	2,521
Rental prepayments		6,134	9,357
		<hr/>	
		39,100	39,337
		-----	
<b>Current assets</b>			
Inventories	9	170	33,060
Biological assets		43,408	5,799
Rental prepayments		7,594	8,971
Trade and other receivables	10	55,264	122,513
Cash and cash equivalents		142,436	67,783
		<hr/>	
		248,872	238,126
		-----	
<b>Total assets</b>		<b>287,972</b>	<b>277,463</b>
		<hr/> <hr/>	
<b>Current liabilities</b>			
Loans and borrowings		-	17,000
Trade and other payables	11	19,400	5,627
Income tax payables		2,250	15,137
		<hr/>	
		21,650	37,764
		-----	
<b>Net current assets</b>		<b>227,222</b>	<b>200,362</b>
		<hr/> <hr/>	
<b>Total assets less current liabilities</b>		<b>266,322</b>	<b>239,699</b>
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## CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2008

	<b>As at 30 June 2008 RMB'000 (audited)</b>	As at 31 December 2007 RMB'000 (audited)
<b>Non-current liabilities</b>		
Loans and borrowings	–	35,000
Deferred tax liabilities	<b>180</b>	2,459
	<b>180</b>	37,459
<b>Total liabilities</b>	<b>21,830</b>	75,223
<b>Net assets</b>	<b>266,142</b>	202,240
<b>Capital and reserves</b>		
Share capital	<b>890</b>	730
Reserves	<b>265,252</b>	181,240
Total equity attributable to equity shareholders of the Company	<b>266,142</b>	181,970
Minority interests	–	20,270
<b>Total equity</b>	<b>266,142</b>	202,240

*Note:–*

**1. REPORTING ENTITY AND CORPORATE REORGANISATION**

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

**2. BASIS OF PRESENTATION**

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

The consolidated income statement set out in these financial statements includes the results of operations of the Group as if the Group had been in existence and remained unchanged throughout the entire periods presented. The consolidated balance sheets of the Group as at 31 December 2007 and 30 June 2008 have been prepared to present the consolidated state of affairs of the Group as at the respective dates as if the Group had been in existence as at the respective dates.

2. *BASIS OF PRESENTATION (Continued)*

All material intra-group transactions and balances have been eliminated on consolidation.

The comparatives of the consolidated income statement in respect of the six-month period ended 30 June 2007 and the related notes disclosed in the consolidated financial statements have not been audited.

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

### 3. SEGMENT REPORTING

(a) For the six months ended 30 June 2008

(i) Revenue and expenses

	Six months ended 30 June 2008 (audited)			
	FCOJ and its related product RMB'000	Fresh oranges RMB'000	Others RMB'000	Group RMB'000
Revenue from external customers	94,872	30,696	840	126,408
Segment results	38,589	(1,014)	364	37,939
Unallocated operating income and expenses				(27)
Profit from operations				37,912
Net finance costs				(1,815)
Income tax				(9,699)
Profit for the period				26,398
Depreciation and land use rights amortisation	(1,176)	(235)	(1)	(1,412)

(ii) Assets and liabilities

	At 30 June 2008 (audited)			
	FCOJ and its related product RMB'000	Fresh oranges RMB'000	Others RMB'000	Group RMB'000
Segment assets	75,866	47,530	170	123,566
Unallocated assets				164,406
Total assets				287,972
Segment liabilities	(7,744)	(1,644)	(45)	(9,433)
Unallocated liabilities				(12,397)
Total liabilities				(21,830)
Capital expenditure incurred during the period	3,645	752	1	4,398

### 3. SEGMENT REPORTING (Continued)

(b) For the six months ended 30 June 2007

(i) Revenue and expenses

	Six months ended 30 June 2007 (unaudited)			
	FCOJ and its related product RMB'000	Fresh oranges RMB'000	Others RMB'000	Group RMB'000
Revenue from external customers	78,796	42,896	2,692	124,384
Segment results	34,476	(2,825)	(162)	31,489
Unallocated operating income and expenses				(60)
Profit from operations				31,429
Net finance costs				(324)
Income tax				(7,736)
Profit for the period				23,369
Depreciation and land use rights amortisation	(1,039)	(81)	(3)	(1,123)

(ii) Assets and liabilities

	At 31 December 2007 (audited)			
	FCOJ and its related product RMB'000	Fresh oranges RMB'000	Others RMB'000	Group RMB'000
Segment assets	103,440	100,426	202	204,068
Unallocated assets				73,395
Total assets				277,463
Segment liabilities	(12,231)	(8,519)	(956)	(21,706)
Unallocated liabilities				(53,517)
Total liabilities				(75,223)
Capital expenditure incurred during the year	896	9,696	18	10,610

4. *OTHER INCOME*

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(unaudited)
Government grants	<b>600</b>	–

The Group received unconditional discretionary grants amounting to RMB 600,000 for the six months ended 30 June 2008 from various PRC government authorities in recognition of the Group's contribution to the development of the local agriculture industry. These government grants are not recurring in nature and are not only available to the Group. There is no assurance that the Group will receive these government grants in the future.

5. *EXPENSES BY NATURE*

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

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(unaudited)
Cost of inventories recognised as expenses	<b>83,425</b>	89,574
Depreciation	<b>1,377</b>	1,088
Amortisation of land use rights	<b>35</b>	35
Amortisation of rental prepayments	<b>4,600</b>	4,600
Auditors' remuneration	<b>91</b>	53
Loss on disposal of property, plant and equipment	<b>0</b>	3
Research and development costs	<b>80</b>	112

For the six months ended 30 June 2008 and 2007, cost of inventories included personnel expenses of RMB 9,405,000 and RMB 9,556,000 respectively.

6. *NET FINANCE COSTS*

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(unaudited)
Interest income on bank deposits	<b>450</b>	89
	<hr/>	
Finance income	<b>450</b>	89
	<hr style="border-top: 1px dashed black;"/>	
Interest expenses on loans and borrowings	<b>(1,516)</b>	(410)
Bank charges	<b>(67)</b>	(3)
Net foreign exchange loss	<b>(682)</b>	–
	<hr/>	
Finance expenses	<b>(2,265)</b>	(413)
	<hr style="border-top: 1px dashed black;"/>	
Net finance costs	<b>(1,815)</b>	(324)
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## 7. INCOME TAX

(a) Income tax in the consolidated income statement represents:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(unaudited)
<b>Current tax expense</b>		
Provision for PRC income tax	<b>11,978</b>	14,649
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	<b>(2,279)</b>	(6,913)
	<b>9,699</b>	7,736

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provision has been made for Hong Kong profits tax as the Group did not have assessable profit subject to Hong Kong profits tax.
- (iii) Pursuant to the Income Tax Law of the PRC For Enterprises with Foreign Investment And Foreign Enterprises (effective as of 1 July 1991), Summi (Fujian) Food Co., Limited is entitled to a preferential PRC foreign enterprise income tax rate of 27%. Sanming Summi Food Co., Limited ("Sanming Summi"), established on 27 September 2007 as a PRC domestic company, is subject to the statutory income tax rate of 33%.

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

7. *INCOME TAX (Continued)*

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(unaudited)
Profit before tax	<b>36,097</b>	31,105
Income tax computed by applying the tax rate of 25% to profit before tax (six months ended 30 June 2007: 27%)	<b>9,024</b>	8,398
Effect of non-deductible expenses	<b>414</b>	185
Effect of differences in tax rates of subsidiaries	<b>496</b>	–
Effect on recognition of deferred tax liabilities arising from undistributed retained earnings of PRC subsidiaries	<b>180</b>	–
Others	<b>(415)</b>	(847)
Income tax	<b>9,699</b>	7,736

8. *EARNINGS PER SHARE*

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of RMB 23,995,000 (for the six months ended 30 June 2007: RMB 21,032,000) and 750,000,000 shares of the Company, comprising 100,000,000 shares in issue at 30 June 2008 and 650,000,000 shares issued on 10 July 2008, as if all of these shares were outstanding throughout the six months ended 30 June 2007 and 2008, respectively.

(b) *Diluted earnings per share*

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2007 and 2008 and therefore, diluted earnings per share are not presented.

9. **INVENTORIES**

(a) Inventories in the consolidated balance sheet comprise:

	<b>As at 30 June 2008 RMB'000 (audited)</b>	As at 31 December 2007 RMB'000 (audited)
Oranges	–	31,745
Frozen concentrated juice	–	1,113
Consumables and packing materials	<b>170</b>	202
	<b>170</b>	33,060

(b) No provisions were made against inventories as at 30 June 2008 (31 December 2007: RMB 410,000). Except for the above, none of the inventories as at 30 June 2008 and 31 December 2007 was carried at net realisable value.

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

	<b>Six months ended 30 June 2008 RMB'000 (audited)</b>	2007 RMB'000 (unaudited)
Carrying amount of inventories sold	<b>82,429</b>	89,574
Write-down of inventories	<b>996</b>	–
	<b>83,425</b>	89,574

9. *INVENTORIES (Continued)*

(d) Production quantities of agricultural produce:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(unaudited)
Oranges	<b>Nil</b>	Nil

10. *TRADE AND OTHER RECEIVABLES*

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(audited)
Trade receivables	<b>33,675</b>	113,784
Prepayments	<b>9,588</b>	8,060
Other receivables	<b>12,001</b>	669
	<b>55,264</b>	122,513

10. *TRADE AND OTHER RECEIVABLES (Continued)*

(a) *Ageing analysis*

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

	<b>As at 30 June 2008 RMB'000 (audited)</b>	As at 31 December 2007 RMB'000 (audited)
Within three months	<b>33,375</b>	113,455
More than three months but within one year	<b>153</b>	329
More than one year but within two years	<b>147</b>	–
	<hr/> <b>33,675</b> <hr/>	113,784

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

10. **TRADE AND OTHER RECEIVABLES (Continued)**

(b) *Trade receivables that are not impaired*

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	<b>As at 30 June 2008 RMB'000 (audited)</b>	As at 31 December 2007 RMB'000 (audited)
Neither past due nor impaired	<b>33,375</b>	113,455
	-----	-----
Less than three months past due	<b>152</b>	5
Three months to one year past due	<b>1</b>	324
One year to two years past due	<b>147</b>	-
	-----	-----
	<b>300</b>	329
	-----	-----
	<b>33,675</b>	113,784
	=====	=====

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on the past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The board has established a credit policy under which credit evaluations are performed on all customers requiring credit. These receivables are due within 90 days from the date of billing. The Group does not collect collateral in respect of trade and other receivables.

At the balance sheet dates, the Group has a certain concentration of credit risk. 30% and 62% of the total trade receivables were due from the Group's largest trade debtor and the five largest trade debtors as at 30 June 2008 (31 December 2007: 9% and 34%), respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

11. *TRADE AND OTHER PAYABLES*

	<b>As at 30 June 2008 RMB'000 (audited)</b>	As at 31 December 2007 RMB'000 (audited)
Trade payables	<b>4,338</b>	202
Other payables and accruals	<b>15,062</b>	5,425
	<b>19,400</b>	5,627

All of the trade and other payables are expected to be settled within one year.

- (a) An ageing analysis of the trade payables of the Group is analysed as follows:

	<b>As at 30 June 2008 RMB'000 (audited)</b>	As at 31 December 2007 RMB'000 (audited)
Not past due	<b>4,338</b>	202

- (b) As at 30 June 2008 and 31 December 2007, other payables and accruals comprised the following items:

	<b>As at 30 June 2008 RMB'000 (audited)</b>	As at 31 December 2007 RMB'000 (audited)
Other tax payables	<b>2,665</b>	3,908
Salaries and bonuses payable	<b>409</b>	388
Accrued expenses	<b>8</b>	613
Other payables	<b>11,980</b>	516
	<b>15,062</b>	5,425

12. *INTERIM DIVIDEND*

The board did not recommend the payment of an interim dividend for the six months ended 30 June 2008 (for the six months ended 30 June 2007: nil).

## **BUSINESS REVIEW**

Our revenue was derived primarily from the sale of frozen concentrated orange juice (“FCOJ”) and its related product, fresh oranges, other concentrated fruit juices and dehydrated longans. According to the certificate issued by the China Beverage Industry Association (中國飲料工業協會) on 15 February 2008, we are one of the leading domestic producers in the FCOJ industry in China in terms of production quantity. It was forecasted by the United States Department of Agriculture, Foreign Agriculture Service in its Global Agriculture Information Network Report dated 29 November 2007 that approximately 20,000 tonnes of FCOJ were produced domestically in China in 2007 while we produced approximately 7,222 tonnes of FCOJ in 2007.

The China’s FCOJ industry is still relatively small and niche when compared to Brazil and the United States. Currently, China is still relying on imported FCOJ to fulfil its supply shortfall. According to the statistics prepared by the China Chamber of Commerce of Import and Export Foodstuffs, Native Produce & Animal By-Products (中國食品土畜進出口商會), a non-profit national trade and industry organization, importation of orange juice grew from approximately 37,112 tonnes in 2002 to approximately 74,222 tonnes in 2007 *Note*.

*Note: The figure for the quantity of orange juice imported into China is estimated based on the actual quantity of orange juice imported into China from January 2007 to May 2007 of 30,926 tonnes.*

We believe that our success to date and potential for future growth can be attributed to a combination of strengths, including the following:

- Well-established and reputable customer base
- One of the leading producers of FCOJ in the large and rapidly growing juice market in China
- Well-established network for raw material procurement and supply chain management
- A vertically integrated processing platform
- Automated production process, proven system of large scale manufacturing and quality control
- Experienced management with a record of delivering growth and profitability

We aim to maximize shareholders' value and pursue a business growth strategy based on the following principal components:

- Continue to focus on the fast-growing juice concentrates market in China and consolidate and further increase our market share;
- Expand production capacities by building new production facilities in strategic locations and further strengthen our raw materials supply base; and
- Expand our products range and client base.

## **FINANCIAL REVIEW**

Our revenue increased from approximately RMB124.38 million for the six months ended 30 June 2007 to approximately RMB126.41 million for the six months ended 30 June 2008 which represented an increase of approximately 1.6%.

For the six months ended 30 June 2008, the profit for the period was approximately RMB26.40 million, represented an increase of approximately 13.0% as compared to the profit for the six months ended 30 June 2007 of approximately RMB23.37 million. The profit attributable to equity shareholders of the Company for the six months ended 30 June 2008 was approximately RMB24.00 million, which has exceeded the profit forecast of RMB21.5 million, as stated in the prospectus of the Company dated 30 June 2008 (the "Prospectus"), by approximately RMB2.50 million.

The sales of FCOJ and its related product increased from RMB78.80 million for the six months ended 30 June 2007 to RMB94.87 million for the six months ended 30 June 2008, representing an increase of 20.4%. The increase was due to the increase in the total production output of the Sanming Summi's production line significantly by carrying out certain technological modifications, ancillary equipment enhancement, as well as improved factory layouts in September and October 2007.

The sales of fresh oranges decreased from RMB42.90 million for the six months ended 30 June 2007 to RMB30.70 million for the six months ended 30 June 2008, representing a decrease of 28.4%. The decrease was due to the early sales of fresh oranges in November and December 2007 to take advantage of the higher selling price in November and December 2007.

The sales of others decreased from RMB2.69 million for the six months ended 30 June 2007 to RMB0.84 million for the six months ended 30 June 2008, representing a decrease of 68.8%. The decrease was due to the decrease in sales of concentrated strawberry juice which incurred a gross loss in the first half of 2007.

For the six months ended 30 June 2008, the average selling prices of FCOJ and its related product and fresh oranges were RMB14.63/kg (2007: RMB14.27/kg) and RMB1.80/kg (2007: RMB1.72/kg) respectively.

Our gross profit increased by 23.5% to approximately RMB42.98 million in 2008. Our gross profit margin increased to approximately 34.0% in the first half 2008 from approximately 28.0% in the first half 2007. The increase of gross profit margin was due to the early sales of fresh oranges in November and December 2007 which had decreased the proportion of fresh oranges, which had a negative gross profit margins due to the fresh oranges were sold at less than the fair value as at 31 December 2007, in the total revenue. The gross profit margins, separated by products, for the six months ended 30 June 2007 and for the six months ended 30 June 2008 were as follows:

	<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007
FCOJ and its related product	<b>46%</b>	47%
Fresh oranges	<b>-2%</b>	-5%
Others	<b>47%</b>	-2%

The increase in gross profit margin of fresh oranges was due to all the fresh oranges were sold in January 2008 which reduced wastages while in the first half of 2007 the fresh oranges were sold until March 2008. The increase in gross profit of others was due to the better gross profit margin of concentrated gooseberry juices sold in the first half of 2008 while in the first half of 2007 the sales were mainly concentrated strawberry juice which had a gross loss.

Our distribution costs increased by 70.5% from approximately RMB1.17 million for the six months ended 30 June 2007 to approximately RMB2.00 million for the six months ended 30 June 2008, mainly due to commencement of operation of Sanming Summi's production line effective from September 2007.

Our administrative expenses increased by 57.9% from approximately RMB2.20 million for the six months ended 30 June 2007 to approximately RMB3.48 million for the six months ended 30 June 2008, mainly due to commencement of operation of Sanming Summi's production line effective from September 2007.

Our net finance costs increased by 460.2% from approximately RMB0.32 million for the six months ended 30 June 2007 to approximately RMB1.82 million for the six months ended 30 June 2008, mainly due to interest accrued on shareholder's loan of RMB35 million during the six months period. The shareholder's loan has been waived by the shareholder on 2 June 2008.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity, financial resources and capital structure**

As at 30 June 2008, the Group had cash and cash equivalents of approximately RMB142.4 million (31 December 2007: RMB67.8 million) and total borrowings of nil (31 December 2007: RMB52.0 million). The Group does not have borrowings as at 30 June 2008.

As at 30 June 2008, the gearing ratio (calculated by dividing total loans and bank borrowings by total equity) of the Group was nil (31 December 2007: 0.26), due to the repayment of all bank borrowings and waiver of the shareholder's loan. As at 30 June 2008, the Group had current assets of approximately RMB248.87 million (31 December 2007: RMB238.13 million) and current liabilities of approximately RMB21.65 million (31 December 2007: RMB37.76 million). The current ratio (which is calculated by dividing current assets by current liabilities) was 11.5 as at 30 June 2008, which showed an increase compared with the current ratio of 6.3 as at 31 December 2007. Such increase was due to the repayment of all current portion of loans and borrowings.

### **Foreign exchange exposure**

The Group's sales were made in RMB. Therefore the Group does not expose to significant foreign currency exchange risks and the Board does not expect future currency fluctuations to materially impact the Group's operations.

### **Capital expenditure**

During the period under review, the Group's total capital expenditure amounted to approximately RMB4.4 million, which was used in the acquisition of property, plant and equipment.

### **Charge on assets**

As at 30 June 2008, the Group had no charge on any assets.

### **Contingent liabilities**

As at 30 June 2008, the Group had no material contingent liabilities.

## **HUMAN RESOURCES**

As at 30 June 2008, the Group employed approximately 248 employees (30 June 2007: 252 employees). The Group offered competitive salary package, as well as discretionary bonuses and contribution to social insurance to its employees. A share option scheme has also been adopted for employees of the Group.

## PROSPECTS

With the listing of the shares of the Company on the Stock Exchange on 10 July 2008 and the receipt of proceeds, net of listing expenses, of approximately HK\$129.5 million from the International Offering of 250,000,000 shares of the Company, the Company has the resources to increase the productivity and to bring value to our shareholders. We currently intend to apply those proceeds in the following ways:

- approximately HK\$94.7 million (equivalent to approximately 73.1% of our total net proceeds) for acquiring land use rights, plant construction, purchase and installation of production and processing equipment: We currently plan to use the proceeds to acquire land use rights in the first half of 2009; to spend capital expenditure for the construction of the production plant which is expected to commence in around the second half of 2008 and is expected to complete before June 2009; acquire two sets of production facilities in 2009. Once completed, we expect the production plant to have an annual production capacity of 9,000 tonnes concentrated fruit juice;
- approximately HK\$21.1 million (equivalent to approximately 16.3% of our total net proceeds) for expanding of the total area of the orange farms we operate by approximately 10,000 mu: whilst we have not identified any particular orange farms to which the net proceeds will apply, we currently plan to look for suitable lands situated in Chongqing and Hunan Province of the PRC and lease approximately 10,000 mu of orange farms by the end of 2008;
- approximately HK\$3.6 million (equivalent to approximately 2.8% of our total net proceeds) for enhancing our marketing activities and expanding and improving the coverage of our sales network: we will participate in marketing activities such as exhibitions, industry conference and promotion in different market media; set up sales representative offices in three top-tier cities in China in 2009; and recruit new sales and marketing staff;
- approximately HK\$3.6 million (equivalent to approximately 2.8% of our total net proceeds) for improving the orange planting technology and further developing our technological know-how on production of fruit concentrate products: we will establish a citrus technology centre in collaboration with other institutes for the development of citrus production technique; establish a fruit and vegetable juice processing technology centre to research and develop the fruit and vegetable processing technique; and recruit research and development staff; and

- approximately HK\$6.5 million (equivalent to approximately 5.0% of our total net proceeds) as our general working capital.

A non-binding memorandum of understanding was signed between the Group and Kaixian Jinhua Agriculture Development Co., Ltd. ("Kaixian Jinhua") on 21 April 2008 as disclosed in the Prospectus. On 6 August 2008, Chongqing Tianbang Food Co., Ltd. ("Chongqing Tianbang"), a wholly owned subsidiary of the Company, was established by Manwell (China) Limited. The registered capital of Chongqing Tianbang is HK\$80,000,000. The principal activities of Chongqing Tianbang are manufacturing and selling of FCOJ and selling of fresh oranges. On 13 August 2008, Chongqing Tianbang has signed a binding contract for a FCOJ project. The total investment is expected to be approximately RMB160 million. Aligning with our business expansion plan as disclosed in the Prospectus, Chongqing Tianbang has entered into agreements to acquire certain juice processing equipment from manufacturers in Switzerland and Brazil, who are independent third parties to the Group, at a total consideration of USD5.5 million to set up a new fruit juice plant located in Kaixian, Chongqing Municipality. The consideration will be settled by the net IPO proceeds in accordance with the "Future Plans and Use of Proceeds" section in the Prospectus. We expect the new production plant will be in operation in the first half of 2009. We are also in the process of setting up a sales representative office in Shanghai. We shall continue to identify any specific land acquisition or orange farm leasing opportunity.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

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

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

## **SUBSEQUENT EVENTS**

- (a) Pursuant to a written resolution of all the shareholders of the Company passed on 7 June 2008, 650,000,000 ordinary shares of HK\$ 0.01 each in the Company were issued at par value on 10 July 2008 to the Company's existing shareholders as at 30 June 2008 by way of capitalisation of HK\$6,500,000 from the share premium account.
- (b) On 10 July 2008, the Company's shares were listed on the Stock Exchange following the completion of the public offer and placing of 250,000,000 shares as described in the Prospectus.
- (c) On 6 August 2008, Chongqing Tianbang, a wholly foreign-owned enterprise was established in the PRC by Manwell (China) Limited. The registered capital of Chongqing Tianbang is HK\$80,000,000 (equivalent to RMB 72,928,000). The principal activities of Chongqing Tianbang are manufacturing and selling of concentrated orange juice and selling of fresh oranges. On 13 August 2008, Chongqing Tianbang has signed a contract for a FCOJ project and the total investment is expected to be approximately RMB160 million.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE**

Since the Company was only listed on the Stock Exchange on 10 July 2008, the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Corporate Governance Code") was not applicable to the Company for the period under review.

However, none of the Directors is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not, for any part of the period between the date of listing of the Company and the date of this announcement in due compliance with the code provisions of the Corporate Governance Code.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the audited interim financial statements and the interim report of the Group for the six months ended 30 June 2008.

## **GENERAL INFORMATION**

The Group's consolidated financial statements for the six months ended 30 June 2008 have been audited by the Company's auditors, KPMG, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

## **INTERIM DIVIDEND**

The Directors do not propose the payment of an interim dividend for the six months ended 30 June 2008 (2007: nil).

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the website of The Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and on the Company's website at [www.tianyi.com.hk](http://www.tianyi.com.hk). The interim report for the six months ended 30 June 2008 of the Group will also be published on the aforesaid websites in due course.

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

Quanzhou, Fujian Province, The People's Republic of China  
17 September 2008

*As at the date of this announcement, the executive directors are Mr. HONG Hong U, Mr. SIN Ke and Mr. SAN Kwan; and the independent non-executive directors are Mr. TU Zongcai, Mr. ZHUANG Weidong and Mr. ZHUANG Xueyuan.*