Summi®
森美

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)

ANNUAL RESULTS ANNOUNCEMENT
For the year ended 30 June 2011

The board (the "Board") of directors (the "Directors") of Tianyi Fruit Holdings Limited (the "Company") is pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2011, along with the comparative figures for the year ended 30 June 2010 and selected explanatory notes, which are prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), and have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2011

	Note	**Year ended 30 June 2011** ***RMB'000***	Year ended 30 June 2010 *RMB'000*
Revenue	*3*	**455,185**	479,333
Cost of sales		**(313,908)**	(293,807)
Gross profit		**141,277**	185,526
Gain from changes in fair value of biological assets less estimated point-of-sale costs		**113,142**	77,125
Other revenue	*4*	**7,290**	3,843
Distribution costs		**(24,288)**	(24,618)
Administrative expenses		**(52,540)**	(45,362)
Other operating expenses		**(688)**	(258)
Profit from operations		**184,193**	196,256
Finance costs	*5(a)*	**(18,450)**	(1,798)
Profit before taxation	*5*	**165,743**	194,458
Income tax	*6*	**(11,975)**	(36,212)
Profit for the year		**153,768**	158,246

CONSOLIDATED INCOME STATEMENT *(Continued)*
For the year ended 30 June 2011

	Note	**Year ended 30 June 2011** *RMB'000*	Year ended 30 June 2010 *RMB'000*
Attributable to:			
Equity shareholders of the Company		**153,768**	156,553
Non-controlling interest		**—**	1,693
Profit for the year		**153,768**	158,246
Earnings per share			
Basic	*7*	**RMB0.15**	RMB0.16
Diluted	*7*	**RMB0.15**	RMB0.15
Final dividend (HK$ cents)	*8*	**—**	1.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Note	**Year ended 30 June 2011** *RMB'000*	Year ended 30 June 2010 *RMB'000*
Profit for the year		**153,768**	158,246
Other comprehensive income for the year	*9*		
Exchange differences on translation of financial statements of the Company and overseas subsidiaries		**320**	12
Total comprehensive income for the year		**154,088**	158,258
Attributable to:			
Equity shareholders of the Company		**154,088**	156,565
Non-controlling interest		**—**	1,693
Total comprehensive income for the year		**154,088**	158,258

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

		As at 30 June 2011		As at 30 June 2010	
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment			**158,897**		142,711
Land use rights			**11,030**		11,281
Rental prepayment			**123,657**		126,588
Pledged bank deposits			**120,350**		5,100
			413,934		285,680
Current assets					
Inventories		**7,925**		4,534	
Biological assets		**46,335**		42,219	
Rental prepayments		**13,418**		14,855	
Trade and other receivables	*10*	**50,279**		39,468	
Pledged bank deposits		**2,550**		—	
Time deposits		**—**		2,650	
Cash and cash equivalents		**555,996**		429,074	
		676,503		532,800	
Current liabilities					
Trade and other payables	*11*	**18,475**		17,722	
Loans and borrowings		**114,190**		—	
Convertible bonds		**141,626**		—	
Current taxation		**—**		4,764	
		274,291		22,486	
Net current assets			**402,212**		510,314
Total assets less current liabilities			**816,146**		795,994
Non-current liabilities					
Loans and borrowings		**5,100**		5,100	
Deferred income		**20,060**		22,420	
Convertible bonds		**—**		133,489	
Deferred tax liabilities		**1,250**		1,250	
			26,410		162,259
NET ASSETS			**789,736**		633,735
CAPITAL AND RESERVES					
Share capital			**8,971**		8,822
Reserves			**780,765**		624,913
Total equity attributable to equity shareholders of the Company			**789,736**		633,735
Non-controlling interest			**—**		—
TOTAL EQUITY			**789,736**		633,735

Notes:

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by Tianyi Fruit Holdings Limited (the "Company") and its subsidiaries (together referred to as "the Group") is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

Improvements to IFRSs (2009)

Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The "Improvements to IFRSs (2009)" and the "Improvements to IFRSs (2010)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. The amendments have not resulted in any significant changes to the Group's accounting policies.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments. Certain operating segments in Fujian and Chongqing have been aggregated to form the following reportable segments as management considers they are of similar economic characteristics.

— Premier fresh oranges for wholesale. This segment carries on the business of cultivation and selling of premier oranges to third party customers.

— Fresh oranges for wholesale. This segment carries on the business of cultivation and selling of fresh oranges to third party customers.

— Oranges for production of frozen concentrated orange juice ("FCOJ") and its related products. This segment carries on the business of cultivation of oranges for production of FCOJ, FCOJ fibre and orange pulp.

3. SEGMENT REPORTING *(Continued)*

— FCOJ. This segment carries on the business of manufacturing and distribution of FCOJ, which is produced through a sequence of processes including crushing, pressing, pasteurisation and concentrating by using oranges as raw material. FCOJ is mainly used by the external customers for production of fruit juice and blended fruit juice.

— FCOJ fibre. This segment carries on the business of manufacturing and distribution of FCOJ fibre, which is a mixture of FCOJ with lower concentration rate and orange pulp sac. FCOJ fibre is mainly used by the external customers for production of pulpy fruit juice and blended fruit juice.

— Orange pulp. This segment carries on the business of manufacturing and distribution of orange pulp, which is a by-product from the production process of FCOJ. Orange pulp is mainly used by the external customers for production of blended fruit juice.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is "gross profit less sales tax and surcharges as well as reversal of fair value gain upon sales".

The Group's senior executive management monitors assets and liabilities on a consolidated basis and not by reportable segment. Accordingly, no additional information on assets and liabilities to that shown on the Group's consolidated statement of financial position is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 30 June 2011 and 30 June 2010 is set out below.

	Year ended 30 June 2011							
	Premier fresh oranges for wholesale *RMB'000*	Fresh oranges for wholesale *RMB'000*	Oranges for production of FCOJ and its related products *RMB'000*	FCOJ *RMB'000*	FCOJ fibre *RMB'000*	Orange pulp *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue from external customers	—	149,534	—	152,244	136,949	17,150	1,427	457,304
Inter-segment revenue	—	—	47,894	—	—	—	—	47,894
Reportable segment revenue	—	149,534	47,894	152,244	136,949	17,150	1,427	505,198
Reportable segment profit	—	85,231	29,073	52,842	76,338	14,838	284	258,606

3. SEGMENT REPORTING *(Continued)*

(a) Segment results *(Continued)*

	Year ended 30 June 2010							
	Premier fresh oranges for wholesale *RMB'000*	Fresh oranges for wholesale *RMB'000*	Oranges for production of FCOJ and its related products *RMB'000*	FCOJ *RMB'000*	FCOJ fibre *RMB'000*	Orange pulp *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue from external customers	44,308	140,483	—	133,443	136,895	18,641	6,542	480,312
Inter-segment revenue	—	—	24,473	—	—	—	—	24,473
Reportable segment revenue	44,308	140,483	24,473	133,443	136,895	18,641	6,542	504,785
Reportable segment profit	28,999	59,768	12,002	60,781	85,213	16,129	1,584	264,476

(b) Reconciliations of reportable segment revenues and profit

	Year ended 30 June 2011 ***RMB'000***	Year ended 30 June 2010 *RMB'000*
Revenue		
Total revenues for reportable segments	**503,771**	498,243
Other revenue	**1,427**	6,542
Elimination of inter-segment revenue	**(47,894)**	(24,473)
Sales tax and surcharges	**(2,119)**	(979)
Consolidated revenue	**455,185**	479,333

	Year ended 30 June 2011 ***RMB'000***	Year ended 30 June 2010 *RMB'000*
Profit		
Total profit for reportable segments	**258,322**	262,892
Other profit	**284**	1,584
	258,606	264,476
Sales tax and surcharges	**(2,119)**	(979)
Reversal of fair value gain upon sales	**(111,200)**	(72,392)
Gain from changes in fair value of biological assets less estimated point-of-sale costs	**113,142**	77,125
Write-down of inventories	**(4,010)**	(5,579)
Other revenue	**7,290**	3,843
Distribution costs	**(24,288)**	(24,618)
Administrative expenses	**(52,540)**	(45,362)
Other operating expenses	**(688)**	(258)
Finance costs	**(18,450)**	(1,798)
Consolidated profit before taxation	**165,743**	194,458

3. SEGMENT REPORTING *(Continued)*

(c) Geographic information

In view of the fact that the Group mainly operates in the People's Republic of China ("PRC"), no geographical segment information is presented.

4. OTHER REVENUE

	Year ended 30 June 2011 *RMB'000*	Year ended 30 June 2010 *RMB'000*
Interest income	**4,609**	893
Government grants	**2,360**	2,150
Others	**321**	800
	7,290	3,843

The Group received discretionary grants from various PRC government authorities in recognition of the Group's contribution to the development of the local agriculture industry and investment in a concentrated fruit juice production plant in Chongqing. These government grants are not recurring in nature and are not only available to the Group. There is no assurance that the Group will receive these government grants in the future.

The comparative figure for interest income in the amount of RMB893,000 has been reclassified from finance costs to other revenue to reflect more appropriately the substance of the income and conform with the current year's presentation.

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 30 June 2011 *RMB'000*	Year ended 30 June 2010 *RMB'000*
Interest expenses on convertible bonds	**15,332**	1,278
Interest expenses on bank loans wholly repayable within five years	**4,244**	—
Total interest expenses	**19,576**	1,278
Bank charges	**51**	42
Net foreign exchange (gain)/loss	**(1,177)**	478
Finance costs	**18,450**	1,798

5. PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs

	Year ended 30 June 2011 ***RMB'000***	Year ended 30 June 2010 *RMB'000*
Salaries, wages and other benefits	**70,532**	63,803
Contributions to defined contribution plans	**2,989**	1,813
Equity-settled share-based payment expenses	**2,981**	6,338
	76,502	71,954

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

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

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

(c) Other items

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

	Year ended 30 June 2011 ***RMB'000***	Year ended 30 June 2010 *RMB'000*
Amortisation of land use rights	**251**	191
Depreciation of property, plant and equipment*	**14,133**	8,619
Operating lease charges*	**14,855**	15,751
Auditor's remuneration — audit services	**1,800**	1,500
Cost of inventories*	**313,908**	293,807

* For the year ended 30 June 2011, cost of inventories includes RMB65,523,000 (for the year ended 30 June 2010: RMB68,952,000) relating to staff costs, depreciation expenses and amortisation of rental prepayments, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these type of expenses.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	Year ended 30 June 2011 *RMB'000*	Year ended 30 June 2010 *RMB'000*
Current tax — the PRC		
Provision for the year	**11,565**	32,740
Under-provision in respect of prior years	**410**	2,134
	11,975	34,874
Deferred tax		
Origination and reversal of temporary differences	**—**	1,338
	—	1,338
	11,975	36,212

(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) The provision for PRC income tax 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.

Pursuant to the Corporate Income Tax Law of the PRC, the Company's subsidiaries engaged in the cultivation and selling of self-cultivated fresh oranges are entitled to exemption from corporate income tax.

The applicable income tax rate for the rest of the Group's operating subsidiaries in the PRC is 25% for the six months ended 31 December 2010 and nil for the six months ended 30 June 2011 (for the year ended 30 June 2010: 25%).

With effect from 1 January 2011, the Company's subsidiaries which are responsible for orange juice production are exempt from corporate income tax on profits from orange juice production, pursuant to Cai Shui [2008] No. 149 issued by the Ministry of Finance. Accordingly, from 1 January 2011, all businesses of the Group in the PRC (i.e. cultivation and selling of self-cultivated fresh oranges and orange juice production) are exempt from corporate income tax, 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.

6. **INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT** *(Continued)*

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

	Year ended 30 June 2011 ***RMB'000***	Year ended 30 June 2010 *RMB'000*
Profit before taxation	**165,743**	194,458
Notional tax on profit before taxation calculated at 25%	**41,436**	48,615
Tax effect of non-deductible expenses	**397**	3,345
Tax effect of different taxation rates used in concessions jurisdictions	**4,212**	1,910
Tax effect of tax exemptions	**(34,544)**	(20,226)
Recognition of deferred tax liabilities relating to undistributed profits	**—**	525
Under-provision in prior years	**410**	2,134
Others	**64**	(91)
Actual tax expense	**11,975**	36,212

7. **EARNINGS PER SHARE**

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 30 June 2011 is based on the profit attributable to equity shareholders of the Company of RMB153,768,000 (for the year ended 30 June 2010: RMB156,553,000) and the weighted average of 1,015,439,315 ordinary shares (for the year ended 30 June 2010: 1,002,070,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Year ended 30 June 2011	Year ended 30 June 2010
Issued ordinary shares at 1 July	**1,003,450,000**	1,000,000,000
Effect of share options exercised	**11,989,315**	2,070,000
Weighted average number of ordinary shares for the year ended 30 June	**1,015,439,315**	1,002,070,000

7. EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 June 2011 is based on the profit attributable to equity shareholders of the Company (diluted) of RMB153,768,000 (for the year ended 30 June 2010: RMB157,120,000) and the weighted average number of ordinary shares outstanding (diluted), after adjusting for the effect of all dilutive potential ordinary shares, of 1,036,309,769 (for the year ended 30 June 2010: 1,036,478,878), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	Year ended 30 June 2011 *RMB'000*	Year ended 30 June 2010 *RMB'000*
Profit attributable to equity shareholders (basic)	**153,768**	156,553
Effect of effective interest on the liability component of convertible bonds	**—**	1,278
Effect of exchange gain recognised on the liability component of convertible bonds	**—**	(711)
Profit attributable to equity shareholders (diluted)	**153,768**	157,120

(ii) Weighted average number of ordinary shares (diluted)

	Year ended 30 June 2011	Year ended 30 June 2010
Weighted average number of ordinary shares for the year ended 30 June	**1,015,439,315**	1,002,070,000
Effect of conversion of convertible bonds	**—**	10,234,521
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**20,870,454**	24,174,357
Weighted average number of ordinary shares (diluted) for the year ended 30 June	**1,036,309,769**	1,036,478,878

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

The calculation of diluted earnings per share amount for the year ended 30 June 2011 has not included the potential effect of the deemed conversion of the convertible bonds into ordinary shares during the year as it has an anti-dilutive effect on the basic earnings per share amount for the year.

8. DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	Year ended 30 June 2011 *RMB'000*	Year ended 30 June 2010 *RMB'000*
No final dividend proposed after the end of the reporting period (for the year ended 30 June 2010: RMB0.013 per ordinary share)	**—**	13,050

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	Year ended 30 June 2011 *RMB'000*	Year ended 30 June 2010 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.013 per ordinary share (for the year ended 30 June 2010: RMB nil per ordinary share)	**13,050**	—

9. OTHER COMPREHENSIVE INCOME

Tax effects relating to other comprehensive income:

	Year ended 30 June 2011			Year ended 30 June 2010		
	Before-tax amount *RMB'000*	**Tax (expense)/ benefit** *RMB'000*	**Net-of-tax amount** *RMB'000*	Before-tax amount *RMB'000*	Tax (expense)/ benefit *RMB'000*	Net-of-tax amount *RMB'000*
Exchange differences on translation of financial statements of the Company and overseas subsidiaries	**320**	**—**	**320**	12	—	12

10. TRADE AND OTHER RECEIVABLES

The Group

	At **30 June 2011** ***RMB'000***	At 30 June 2010 *RMB'000*
Trade debtors	**43,765**	36,446
Less: allowance for doubtful debts	**—**	—
	43,765	36,446
Other debtors	**3,225**	489
Deposits and prepayments	**3,289**	2,533
	50,279	39,468

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

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

The Group

	At **30 June 2011** ***RMB'000***	At 30 June 2010 *RMB'000*
Current	**31,454**	36,426
Less than 1 month past due	**10,590**	—
1 to 3 months past due	**1,717**	1
More than 3 months but less than 12 months past due	**2**	19
1 to 2 years past due	**2**	—
Amounts past due	**12,311**	20
	43,765	36,446

Trade debtors are due within 90 days from the date of billing.

10. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Trade debtors that are not impaired

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

The Group

	At 30 June 2011 ***RMB'000***	At 30 June 2010 *RMB'000*
Neither past due nor impaired	**31,454**	36,426
Less than 1 month past due	**10,590**	—
1 to 3 months past due	**1,717**	1
More than 3 months but less than 12 months past due	**2**	19
1 to 2 years past due	**2**	—
	12,311	20
	43,765	36,446

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 independent 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.

11. TRADE AND OTHER PAYABLES

The Group

	At 30 June 2011 ***RMB'000***	At 30 June 2010 *RMB'000*
Trade creditors	**8,210**	10,467
Other payables and accrued expenses	**10,265**	7,255
	18,475	17,722

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

11. TRADE AND OTHER PAYABLES *(Continued)*

(a) Ageing analysis

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the reporting period:

The Group

	At 30 June 2011 *RMB'000*	At 30 June 2010 *RMB'000*
Due within 3 months or on demand	**8,210**	10,467

(b) Other payables and accrued expenses comprise the following items:

The Group

	At 30 June 2011 *RMB'000*	At 30 June 2010 *RMB'000*
Other tax payables	**3,333**	3,787
Salaries and bonuses payable	**1,228**	852
Accrued expenses	**4,316**	1,315
Other payables	**1,388**	1,301
	10,265	7,255

BUSINESS REVIEW

Overview

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

With China's rapid economic development, increase in disposable income and acceleration in urbanization, the fruit juice beverage market in China maintains its strong growth. As orange juice belongs to the largest fruit juice beverage category, domestic demand for FCOJ has been robust. The FCOJ manufacturing industry in China is just in the initial stage of its development. The industry started to take shape only in this decade. Compared to international FCOJ processors, a majority of FCOJ processors in China are relatively small in terms of production capacity and actual output. China still primarily relies on imports of FCOJ to meet its strong domestic demand. This enables the domestic FCOJ industry to grow and develop.

The Group is one of the few local suppliers providing FCOJ to world's leading beverage manufactures in China. Quality of the Group's products has been accredited by world's leading beverage manufactures. The Group also has price advantage over its overseas competitors. Its products are in high demand. The Directors believe that the Group's extensive experience and expertise in FCOJ production accumulated in the past 18 years is one of the main factors to maintain solid relationship with its world-class customers.

Products

The Group adopts an integrated business model. During the reporting period, the Group operated orange farms with a total area of approximately 71,000 mu in Fujian province and Chongqing*. The Group's own farm grown oranges of premium grade are sold as fresh fruit, while oranges of lower grade are used in the production of FCOJ and other related products. In addition to the Group's self-operated farms, the Group also purchases oranges from local farmers for processing FCOJ and other related products.

FCOJ is a primary raw material for the production of orange juice beverages. The Group sells FCOJ to beverage manufactures who use it in the production of different types of orange juice drinks. The most popular juice drinks in the fruit juice beverage market in China is orange juice drinks which contain less than 25% pure orange juice. The Directors believe that with the increase in purchasing power and improvement in living standard in China, demand in juice drinks is to shift from low percentage beverages to higher percentage orange juice drinks and even, to 100% pure orange juice. This trend will be beneficial to increasing the demand for FCOJ.

Since 2010, the Group has been providing FCOJ fiber to certain major beverage manufacturers. FCOJ fiber is a mix of FCOJ and orange pulp. Beverage manufacturers can use it to produce orange juice with pieces of orange pulp, which has received tremendous popularity in China. This type of beverage is now on the top list of orange juice drinks in China in terms of sales volume.

* *Note:* In the harvest season during November and December 2010, the Group's own farms grown oranges were collected from the existing approximately 50,000 mu orange farms. Of the approximate 71,000 mu orange farms, 21,000 mu with new species that have the potential for higher yield are expected to become productive in 2013.

Production

During the year ended 30 June 2011, the Group had two production plants in Fujian province and one new plant in Chongqing, which have a total annual production capacity of 22,000 tonnes of FCOJ and 30,000 tonnes of FCOJ fiber. The Chongqing plant is currently the most advanced in terms of equipment and technology and the largest in China's FCOJ industry.

FINANCIAL REVIEW

Overview

For the year ended 30 June 2011, sales of the Group decreased by approximately 5.0% to RMB455,185,000 from RMB479,333,000 in the previous financial year. The decrease in the Group's sales was mainly due to decline in the sales of fresh oranges. Profit attributable to equity shareholders of the Company for the year ended 30 June 2011 slightly decreased by approximately 1.8% to RMB153,768,000 as compared to last year.

Sales

Sales of the Group's concentrated fruit juice products, comprising FCOJ, FCOJ fibre and orange pulp, increased by approximately 6.0% from RMB288,979,000 for the year ended 30 June 2010 to RMB306,343,000 for the year ended 30 June 2011 and accounted for approximately 67.0% of the Group's total revenue for the year ended 30 June 2011. Each of FCOJ, FCOJ fibre and orange pulp accounted for about 49.7%, 44.7% and 5.6% respectively of the revenue from concentrated fruit juice products. The growth in revenue was primarily attributable to the increase in the Group's average selling prices of FCOJ, FCOJ fibre and orange pulp. The average selling price of FCOJ for the year ended 30 June 2011 increased from RMB11,900 per tonne in the year ended 30 June 2010 to RMB17,234 per tonne, representing a 44.8% growth. The average selling price of FCOJ fibre during the year ended 30 June 2011 rose from RMB6,867 per tonne in the year ended 30 June 2010 to RMB7,354 per tonne, representing approximately a 7.1% increase.

Sales of the Group's fresh oranges for the year ended 30 June 2011 declined by approximately 19.1% from RMB184,791,000 for the year ended 30 June 2010 to RMB149,534,000, accounted for approximately 32.7% of the Group's total revenue. Such decrease was primarily attributable to the significant decline in the production volume of own farm gown oranges as a result of adverse weather conditions. The actual sales volume of fresh oranges reduced by approximately 21.1% as compared to that of the year ended 30 June 2010. Despite a substantial rise in the selling prices of fresh oranges, such increase could not fully offset the adverse impact of reduced production volume. During the year ended 30 June 2011, the average selling price of fresh oranges surged by approximately 34.9% from RMB1,712 per tonne for the year ended 30 June 2010 to RMB2,310 per tonne.

Cost of Sales

Cost of sales rose from RMB293,807,000 for the year ended 30 June 2010 to RMB313,908,000 for the year ended 30 June 2011, representing an increase of approximately 6.8%. The increase in cost of sales was mainly due to the rise in raw material costs.

The Group's cost of sales primarily consists of the cost of oranges that is used for either the production of concentrated orange juice products and as fresh oranges for wholesale. There are two types of oranges used by the Group: its own farm grown oranges and purchased oranges. In accordance with the relevant accounting policies, the Group's own farm grown oranges are treated as biological assets at the time of harvest. The value representing the difference between the fair value (i.e. market value at harvest) and the cultivation costs of these oranges (i.e. the gross profit of the Group's own farm grown oranges) is recognized as "gain from changes in fair value of biological assets" in the consolidated income statement at the time of harvest. The market value is then recognized as cost of sales when the oranges are removed from the inventory for either producing FCOJ or being sold as fresh fruit. This effectively overstates the reported cost of sales by an amount equivalent to the gross profit of the Group's own farm grown oranges.

Gross Profit

For the reason discussed in the previous paragraph, the reported gross profit of the Group in the consolidated income statement does not include the gross profit of its own farm grown oranges. For a better illustration of the Group's overall gross profit, we will use the Group's gross profit for reportable segments (i.e. the gross profit before adjustments of fair value of biological assets) as a substitute for discussion here (please see note 3(a) to the financial statements on page 6 for details).

Gross profit for reportable segments reduced from RMB264,476,000 for the year ended 30 June 2010 to RMB258,606,000 for the year ended 30 June 2011, representing a decrease of approximately 2.2%. Overall gross margin increased from 55.1% to 56.6%.

Gross margin of FCOJ declined mainly due to the considerable increase in production cost resulting from upsurge in raw material costs. Moreover, the increase in the price of oranges for processing was greater than that of the selling price of products as a result of the time lag between the increase in raw material costs and the adjustment in the selling price of finished products. However, as part of the oranges used for processing were from the Group's own farms and that portion of oranges for processing, due to price upsurge, had brought additional gross profit contribution to the Group.

Other Revenue

Among other revenue, finance income rose by approximately 416.1% year on year to RMB4,609,000 for the year ended 30 June 2011. Of the finance income, interest income was mainly from a pledged deposit of RMB117,800,000 of the Group during the year ended 30 June 2011.

Distribution Costs

Distribution costs decreased by approximately 1.3% year on year to RMB24,288,000 for the year ended 30 June 2011, primarily due to lower transportation costs as a result of decreased sales. Personnel expenses relating to sales and marketing also decreased by approximately 11.3% from RMB2,088,000 in the year ended 30 June 2010 to RMB1,852,000 for the year ended 30 June 2011, mainly due to the decrease in expenses incurred in the recognition of options expenses to employees during the year ended 30 June 2011.

Administrative Expenses

Administrative expenses increased by approximately 15.8% year on year to RMB52,540,000 for the year ended 30 June 2011. The increase was primarily attributable to the full operation of the new production plant in Kai county, Chongqing and increase in wages in China. Personnel expenses increased by approximately 9.6% to RMB27,175,000.

Finance Costs

Finance costs rose by approximately 926.1% year on year to RMB18,450,000 for the year ended 30 June 2011. Such increase was primarily due to increase in accrued interest expenses, including accrued convertible bond interest of RMB15,332,000 (should the convertible bonds be fully converted into shares of the Company (the "Shares") in 2012, the Company does not need to account for such an interest expense) and interest of bank loans of RMB4,244,000.

Income Tax

Effective income tax rate decreased from approximately 18.6% in the year ended 30 June 2010 to approximately 7.2% for the year ended 30 June 2011. The main reason was that the Group was granted income tax exemption by the relevant PRC tax authorities during the year in accordance with the relevant favourable agricultural policies. Apart from the amount of income tax prepaid during the reporting period, the Group is exempted from corporate income tax for its orange juice processing business since 1 January 2011. Since the Group has already been exempted from corporate income tax for its fresh orange cultivation and sales business, the Group has, starting from 1 January 2011, not been subject to any corporate income tax of its business (please see note 6 to the financial statements on page 10).

Profit Attributable to Equity Shareholders

Profit attributable to equity shareholders decreased by approximately 1.8% year on year to RMB153,768,000 for the year ended 30 June 2011.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity, Financial Resources and Capital Structure

The Group's working capital and other capital requirements were principally from operations and cash at hand.

As at 30 June 2011, the Group had cash and cash equivalents of RMB555,996,000, total bank loans of RMB119,290,000, and outstanding convertible bonds of RMB141,626,000, as compared to RMB429,074,000 of cash and cash equivalents, RMB5,100,000 of total bank loans and RMB133,489,000 of outstanding convertible bonds as at 30 June 2010. An amount of RMB114,190,000 of bank loans was secured by cash deposited in offshore bank accounts. The secured bank loan of RMB5,100,000 was an interest-free entrusted bank loan granted by a local finance bureau of the PRC.

As at 30 June 2011, the gearing ratio (total debt including convertible bonds/total equity) of the Group was approximately 33.1% as compared to approximately 21.9% as at 30 June 2010. The current ratio (current assets/current liabilities) was 2.5 times as compared to 23.7 times as at 30 June 2010.

Analysis of Turnover of Inventories, Trade Receivables and Trade Payables

The Group's inventories primarily consist of finished FCOJ products. Inventory turnover days (inventories/cost of sales) were 9.2 days as at 30 June 2011 as compared to 5.6 days as at 30 June 2010. Increase in inventory was due to the expectation of an improved harvest of oranges at the end of the year, and more stocks of ingredients are required to meet FCOJ production expansion in the next financial year. Turnover days for trade receivables (trade receivables/revenue) were 35.1 days as at 30 June 2011 as compared with 27.8 days as at 30 June 2010. Turnover days for trade payables (trade payables/cost of sales) were 9.5 days as at 30 June 2011 as compared with 13.0 days as at 30 June 2010.

Contingent Liabilities

As at 30 June 2011, the Group did not have any significant contingent liabilities.

Capital Expenditure

During the year ended 30 June 2011, the Group's capital expenditure amounted to RMB34,106,000 as compared to RMB48,157,000 during the same period in 2010. The capital expenditure was used in the acquisition of property, plant and equipment.

Pledge of Assets

As at 30 June 2011, the Group had offshore pledged bank deposits of RMB117,800,000 for the bank loan of RMB114,190,000. Also, the Group had pledged bank deposits of same amount to secure interest-free bank loan of RMB5,100,000. Bank deposits of RMB5,100,000 were pledged to secure an interest-free bank loan of the same amount from the PRC government as at 30 June 2010.

Foreign Exchange Exposure

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

FINAL DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 30 June 2011 (A final dividend of HK$0.015 per share was recommended for the year ended 30 June 2010).

HUMAN RESOURCES

As at 30 June 2011, the Group employed approximately 782 employees (30 June 2010: 740 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. Employees are entitled to be granted share options under the Company's share option scheme. The share option scheme has been put in place to incentivize employees, and to encourage them to work towards enhancing the value and promoting the long-term growth of the Group.

PROSPECTS

Looking ahead, the demand for concentrated orange juice products will continue to grow in the China market. However, the existing production capacity of the Group is still insufficient to meet such growing demand. In light of this, the Group will continue to expand: it will ensure raw material supply through substantially increasing self-owned plantation and enhancing the yield, as well as actively seeking processing facilities with orange plantations for acquisition. All this will enable the Group to increase its production volume to meet the upward cycle of the market, and the Group plans to further consolidate its market position through:

- **Acceleration of capacity expansion:** There is strong demand for FCOJ and FCOJ fiber in China. While China relies on imports to satisfy its domestic demand for FCOJ, no foreign source of supply is available to meet China's demand for FCOJ fiber. As premium FCOJ and its related products produced in China are in short supply, the Group plans to grasp business opportunities by accelerating its production capacity expansion through merger and acquisition to meet market demand.

- **Continued broadening of source of raw material:** Securing sufficient raw material supply is one of the crucial factors in the production of concentrated orange juice. The Group has plans in place to substantially increase the size of its existing farms for cultivation, introduce high yield species, and also provide technical support to local farmers to ensure abundant supply of raw material as well as increase the productivity of orange trees.

- **New product development:** There is an increasing demand for tropical fruits and tropical fruit juice in China. Hainan Island is the major production area of tropical fruit in China. In order to meet market demand, the Group is actively looking for acquisition targets in Hainan Island, while evaluating the feasibility of establishing a plant in Hainan Island, so as to pave the way for creating a new profit center for the Group. In addition, the Group is also engaged in the research and development of high-end preserved fruit (a by-product with high profit margin), with the aim to fully utilize the residue generated during the course of FCOJ production. The Group is also exploring the development of distribution channels for its own end-products while avoiding creating any competition with its existing clienteles.

The Board expects a good harvest season in November 2011. Together with the expanded cultivation areas, capacity production, and strong demand, the Board is very optimistic about the Group's prospects in the coming financial year. The Board believes that there is still ample room for growth in the China's fruit juice and FCOJ beverage markets. The Company will strive to capture this opportunity to create value for its shareholders in the medium to long term.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

During the year ended 30 June 2011, 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

During the reporting period, there was no material acquisition and disposal of subsidiaries and associated companies by the Company.

CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND MEMBER OF THE AUDIT COMMITTEE AND NOMINATION COMMITTEE

Mr. Tu Zongcai resigned as an independent non-executive Director due to the need to focus on his other businesses and Mr. Zeng Jianzhong has been appointed and replaced him as an independent non-executive Director and member of the audit committee and nomination committee with effect from 1 September 2011. For details of the appointment and resignation, please refer to the announcement of the Company dated 1 September 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

Under code provision A.2.1 of the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sin Ke is currently the chairman of the Board, an executive Director and the chief executive officer of the Company. This deviates from the code provision A.2.1 of the Code.

Mr. Sin has extensive experience in the FCOJ industry. He has the appropriate standing, management skills and business acumen that are essential prerequisites for assuming the roles of chairman and the chief executive officer. The Board believes that vesting both roles in Mr. Sin provides the Group with strong and consistent leadership, and at the same time, allows for the continuous effective operations and development of the Group's business. As such, the structure is beneficial to the Group and the shareholders of the Company as a whole.

The Company understands the importance to comply with the code provision A.2.1 of the Code and will continue to consider the feasibility of appointing different persons to assume the roles of the chairman and the chief executive officer. The Company will make timely announcement if such decision has been made.

Save as disclosed above, the Board considered that the Company had complied with the code provisions set out in the Code during the year ended 30 June 2011.

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 Appendix 10 — Model Code for Securities Transactions by Directors of Listed Companies to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct during the year ended 30 June 2011.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") during the reporting period consisted of 3 independent non-executive Directors, namely Mr. Zhuang Xueyuan, Mr. Zhuang Weidong and Mr. Tu Zongcai. Mr. Zeng Jianzhong has replaced Mr. Tu Zongcai as a member of the Audit Committee with effect from 1 September 2011. The Group's annual results for the year ended 30 June 2011 had been reviewed by 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 7 November 2011 to Thursday, 10 November 2011 (both days inclusive), during such period no transfer of shares will be registered. To ensure the entitlement for attending and voting at the forthcoming annual general meeting to be held on 10 November 2011, 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 4 November 2011.

REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2011 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year ended 30 June 2011 and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

By Order of the Board
Tianyi Fruit Holdings Limited
Sin Ke
Chairman

Quanzhou, Fujian Province, The People's Republic of China
23 September 2011

As at the date of this announcement, the executive Directors are Mr. Sin Ke and Mr. San Kwan; and the independent non-executive Directors are Mr. Zeng Jianzhong, Mr. Zhuang Weidong and Mr. Zhuang Xueyuan.