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 31 December 2010

The board (the "Board") of directors (the "Directors") of Tianyi Fruit Holdings Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2010, along with the comparative figures and selected explanatory notes, which are prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), and have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT
For the six months ended 31 December 2010

		Six months ended 31 December	
	Note	**2010** *RMB'000* **(unaudited)**	2009 *RMB'000* (unaudited)
Revenue	3	**209,935**	183,996
Cost of sales		**(139,700)**	(126,973)
Gross profit		**70,235**	57,023
Gain from changes in fair value of biological assets less estimated point-of-sale costs		**113,142**	77,125
Other income	4	**1,389**	1,770
Distribution costs		**(14,046)**	(11,679)
Administrative expenses		**(18,527)**	(17,907)
Other expenses		**(516)**	(258)
Profit from operations		**151,677**	106,074
Finance income		**941**	357
Finance expenses		**(10,593)**	(283)
Net finance (costs)/income	6	**(9,652)**	74

CONSOLIDATED INCOME STATEMENT *(Continued)*
For the six months ended 31 December 2010

		Six months ended 31 December	
		2010	2009
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Profit before taxation		**142,025**	106,148
Income tax	*7*	**(10,879)**	(12,795)
Profit for the period		**131,146**	93,353
Attributable to:			
Equity shareholders of the Company		**131,146**	91,660
Non-controlling interest		**—**	1,693
Profit for the period		**131,146**	93,353
Earnings per share (RMB cents)			
Basic	*8*	**12.98**	9.16
Diluted	*8*	**12.48**	9.01
Interim dividend	*11*	**—**	—

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000 (unaudited)	As at 30 June 2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**160,331**	142,711
Land use rights		**11,155**	11,281
Rental prepayments		**124,373**	126,588
Pledged bank deposits		**90,100**	5,100
		385,959	285,680
Current assets			
Inventories		**98,231**	4,534
Biological assets		**5,303**	42,219
Rental prepayments		**13,418**	14,855
Trade and other receivables	9	**166,767**	39,468
Time deposits		**35,398**	2,650
Cash and cash equivalents		**369,532**	429,074
		688,649	532,800
Total assets		**1,074,608**	818,480
Current liabilities			
Trade and other payables	10	**49,499**	17,722
Loans and borrowings		**82,400**	—
Income tax payables		**10,645**	4,764
		142,544	22,486
Net current assets		**546,105**	510,314
Total assets less current liabilities		**932,064**	795,994
Non-current liabilities			
Loans and borrowings		**5,100**	5,100
Deferred income		**21,240**	22,420
Convertible bonds		**137,507**	133,489
Deferred tax liabilities		**2,350**	1,250
		166,197	162,259
Total liabilities		**308,741**	184,745
Net assets		**765,867**	633,735
Capital and reserves			
Share capital		**8,971**	8,822
Reserves		**756,896**	624,913
Total equity attributable to equity shareholders of the Company		**765,867**	633,735
Non-controlling interest		**—**	—
Total equity		**765,867**	633,735

Notes:

1. REPORTING ENTITY

Tianyi Fruit Holdings Limited (the "Company") is a company incorporated in the Cayman Islands. The unaudited interim financial report of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries ("the Group").

2. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with International Accounting Standard ("IAS") 34 "Interim financial reporting", issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 25 February 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual report for the year ended 30 June 2010, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 30 June 2011.

3. SEGMENT INFORMATION

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 identified the following five reportable segments. Certain operating segments in Fujian and Chongqing have been aggregated to form the following reportable segments as management consider they are of similar economic characteristics.

— Fresh oranges for wholesale. This segment carries on the business of cultivation and selling of 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.

— 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.

3. SEGMENT INFORMATION *(Continued)*

(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 balance sheet 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 six months ended 31 December 2010 and 31 December 2009 is set out below.

	Six months ended 31 December 2010 (unaudited)						
	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 (i)** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**80,058**	**—**	**52,317**	**71,768**	**5,847**	**448**	**210,438**
Inter-segment revenue	**—**	**47,894**	**—**	**—**	**—**	**—**	**47,894**
Reportable segment revenue	**80,058**	**47,894**	**52,317**	**71,768**	**5,847**	**448**	**258,332**
Reportable segment profit	**43,856**	**29,073**	**19,948**	**41,303**	**5,059**	**80**	**139,319**

	Six months ended 31 December 2009 (unaudited)						
	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	79,782	—	48,628	44,080	5,456	6,542	184,488
Inter-segment revenue	—	24,473	—	—	—	—	24,473
Reportable segment revenue	79,782	24,473	48,628	44,080	5,456	6,542	208,961
Reportable segment profit	32,466	12,002	20,576	28,100	4,696	1,584	99,424

(i) Revenue from segments below the quantitative thresholds are mainly attributable to two segments of the Group. Those segments include other concentrated juice products and premier fresh oranges. None of those segments met any of the quantitative thresholds for determining reportable segments.

3. SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment revenues and profit

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
Total revenues for reportable segments	**257,884**	202,419
Other revenue	**448**	6,542
Elimination of inter-segment revenue	**(47,894)**	(24,473)
Sales tax and surcharges	**(503)**	(492)
Consolidated revenue	**209,935**	183,996
Profit		
Total profit for reportable segments	**139,239**	97,840
Other profit	**80**	1,584
	139,319	99,424
Sales tax and surcharges	**(503)**	(492)
Reversal of fair value gain upon sales	**(66,447)**	(39,814)
Gain from changes in fair value of biological assets less estimated point-of-sale costs	**113,142**	77,125
Write-down of inventories	**(2,134)**	(2,095)
Other income	**1,389**	1,770
Distribution costs	**(14,046)**	(11,679)
Administrative expenses	**(18,527)**	(17,907)
Other expenses	**(516)**	(258)
Net finance (costs)/income	**(9,652)**	74
Consolidated profit before taxation	**142,025**	106,148

4. OTHER INCOME

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grants	**1,180**	1,770
Others	**209**	—
	1,389	1,770

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.

5. EXPENSE BY NATURE

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

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Amortisation of land use rights	**126**	66
Depreciation of fixed assets*	**6,782**	2,456
Operating lease charges*	**8,146**	8,026
Auditors' remuneration — audit services	**750**	853
Cost of inventories*	**139,700**	126,973

* For the six months ended 31 December 2010 and 2009, cost of inventories includes RMB 45,950,000 and RMB 37,857,000 respectively relating to personnel expenses, depreciation expenses and amortisation of rental prepayments.

6. NET FINANCE COSTS/(INCOME)

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income on bank deposits	**(941)**	(357)
Finance income	**(941)**	(357)
Interest expenses	**8,935**	—
— convertible bonds	**7,666**	—
— bank loans wholly repayable within five years	**1,269**	—
Bank charges	**32**	20
Net foreign exchange loss	**1,626**	263
Finance expenses	**10,593**	283
Net finance costs/(income)	**9,652**	(74)

7. INCOME TAX

Income tax in the consolidated income statement represents:

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax expense		
Provision for PRC income tax	**9,779**	11,282
Deferred tax expense		
Origination and reversal of temporary differences	**1,100**	1,513
	10,879	12,795

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

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

(iii) The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group'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 Group'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 (for the six months ended 31 December 2009: 25%).

With effect from 1 January 2011, the Group's subsidiaries which are responsible for orange juice production will be 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) will be 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.

(iv) Pursuant to the Corporate Income Tax 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. As at 31 December 2010, the management believe that should the Group determined 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.

As the Company controls the dividend policy of the Group's PRC subsidiaries, as at 31 December 2010, deferred tax liabilities of RMB2,350,000 (30 June 2010: 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. Deferred tax liabilities of RMB16,955,000 (30 June 2010: RMB13,162,000) have not been recognised as at 31 December 2010, as the directors consider it probable that a portion of the undistributed profits earned by the Group's PRC subsidiaries for the period from 1 January 2008 to 31 December 2010 will not be distributed in the foreseeable future.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 31 December 2010 is based on the profit attributable to the equity shareholders of the Company of RMB131,146,000 (for the six months ended 31 December 2009: RMB91,660,000) and the weighted average of 1,010,166,033 ordinary shares (for the six months ended 31 December 2009: 1,000,712,500 shares) of the Company, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 31 December	
	2010	2009
Issued ordinary shares	**1,000,000,000**	1,000,000,000
Effect of share options exercised	**10,166,033**	712,500
Weighted average number of ordinary shares	**1,010,166,033**	1,000,712,500

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 31 December 2010 is based on the profit attributable to equity shareholders of the Company (diluted) of RMB138,856,000 (for the six months ended 31 December 2009: 91,660,000) and the weighted average number of ordinary shares outstanding (diluted), after adjusting for the effect of all dilutive potential ordinary shares, of 1,112,641,886 (for the six months ended 31 December 2009: 1,017,684,205), calculated as follows:

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

	Six months ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit attributable to equity shareholders (basic)	**131,146**	91,660
Effect of effective interest on the liability component of convertible bonds	**7,666**	—
Effect of exchange loss recognised on the liability component of convertible bonds	**44**	—
Profit attributable to equity shareholders (diluted)	**138,856**	91,660

8. EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

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

	Six months ended 31 December	
	2010	2009
Weighted average number of ordinary shares	**1,010,166,033**	1,000,712,500
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**24,650,853**	16,971,705
Effect of conversion of convertible bonds	**77,825,000**	—
Weighted average number of ordinary shares (diluted)	**1,112,641,886**	1,017,684,205

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.

9. TRADE AND OTHER RECEIVABLES

	As at 31 December 2010 *RMB'000* **(unaudited)**	As at 30 June 2010 *RMB'000* (audited)
Trade receivables	**161,978**	36,446
Prepayments	**2,720**	2,533
Other receivables	**2,069**	489
	166,767	39,468

The Group generally grants credit terms of not more than 90 days depending on the credit worthiness of individual customers. An ageing analysis of the trade receivables as of the balance sheet dates is as follows:

	As at 31 December 2010 *RMB'000* **(unaudited)**	As at 30 June 2010 *RMB'000* (audited)
Within three months	**161,974**	36,426
Over three months but less than six months	**1**	1
Over six months but less than one year	**3**	19
	161,978	36,446

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

10. TRADE AND OTHER PAYABLES

	As at 31 December 2010 *RMB'000* (unaudited)	As at 30 June 2010 *RMB'000* (audited)
Trade payables	**36,273**	10,467
Other payables and accrued expenses	**13,226**	7,255
	49,499	17,722

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

	As at 31 December 2010 *RMB'000* (unaudited)	As at 30 June 2010 *RMB'000* (audited)
Not past due	**36,273**	10,467

11. INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 31 December 2010 (six months ended 31 December 2009: nil).

BUSINESS REVIEW

The revenue of the Group was principally derived from the sales of Frozen Concentrated Orange Juice ("FCOJ"), its related products and fresh oranges. According to the statistics issued by the China Beverage Industry Association (中國飲料工業協會), the Group is one of the leading producers in the FCOJ industry in China in terms of production volume.

The fruit juice beverage market in China has maintained rapid growth in recent years, in particular sustained by strong demand for orange juice beverages. FCOJ is the primarily raw material for the production of orange juice beverages. China's existing production capacity of FCOJ is low and relies primarily on imported products to meet its demand. There is a wide gap between the production capacities of China and those of Brazil and the USA, two of the major FCOJ producing countries in the world. Since 1993, the Group has been operating in the FCOJ industry and has accumulated extensive experience. The Group's clientele comprises major international and domestic beverage producers such as Coca-Cola. The Group is also one of the few FCOJ processors operating its own upstream plantations in China. We are of the opinion that the Chinese beverage market is undergoing a change as it has entered into the era of fruit juice beverage. Through relentless efforts, the Group has achieved some satisfactory results. Our goal is to continue to maintain the leading position in the industry and to increase our market share in China through continuous expansion in both production capacity and orange grove plantation as well as improving product mix.

For the six months ended 31 December 2010, the international selling price of FCOJ rose substantially. Domestically, demand for orange juice beverages remained strong and the domestic selling price of FCOJ rose significantly from last year. On the supply side, production output of oranges from major citrus plantation areas in China decreased from that of last year due to abnormal weather conditions last autumn. As a result, the average selling price of oranges for processing into FCOJ and fresh oranges for sale increased from that of last year substantially. Although rising raw material costs had, to certain extent, affected the Group's production volume and gross margin of FCOJ, fortunately, such impact was mitigated by the increase in the selling price of FCOJ and fresh oranges for wholesale. In addition, improved product mix had helped the Group to achieve relatively satisfactory operating results for the period under review.

During the period, the Group commenced the construction of phase II project at Chongqing factory. Upon completion, the Group's production capacity of FCOJ fibre is to increase by 100%.

During the period, the area of the Group's existing orange farms in Chongqing and Fujian Province remained 50,000 mu. The Group had increased its new plantations by 10,000 mu to 31,000 mu in Chongqing. It normally takes about three years for the new plantation to become productive.

During the period, the Group was granted income tax exemption by the relevant PRC tax authorities. The Group is not subject to corporate income tax for its orange juice production, orange farming and sales business from 1 January 2011.

FINANCIAL REVIEW

The Group's interim financial results cover the six month period from 1 July 2010 to 31 December 2010.

Revenue

During the period, the revenue of the Group increased from RMB183,996,000 for the same period last year (the six months ended 31 December 2009) to RMB209,935,000, representing an increase of approximately 14.1%.

Sales revenue of FCOJ increased from RMB48,628,000 for the same period last year to RMB52,317,000, representing a growth of 7.6%. Such growth was attributable to the significant increase in the average selling price of FCOJ, despite slightly decrease in sales volume as compared to that of the same period last year. Sales revenue of FCOJ fibre increased by 62.8% from RMB44,080,000 for the same period last year to RMB71,768,000. Such increase was mainly attributable to the significant increase in sales volume accompanied with a stable average selling price. Sales of orange pulp increased by 7.2% from RMB5,456,000 for the same period last year to RMB5,847,000.

Sales revenue of the Group's fresh oranges increased slightly by 0.3% from RMB79,782,000 for the same period last year to RMB80,058,000. Such increase was attributable to significant increase in the average selling price of fresh oranges, while the production output and sales volume decreased as a result of abnormal weather conditions last autumn.

Average Selling Price

During the period, the average selling price of FCOJ was RMB14.83/kg (same period last year: RMB11.75/kg). Such increase was primarily attributable to the significant increase in the international selling price of FCOJ and strong domestic demand for FCOJ products. The average selling price of FCOJ fibre remained stable at RMB6.84/kg (same period last year: RMB6.84/kg). The average selling price of fresh oranges was RMB2.18/kg (same period last year: RMB1.66/kg). The significant rise was attributable to lower yields of oranges as a result of abnormal weather conditions last autumn and the rising trend in the price of agricultural products in China due to inflation.

Gross Profit and Gross Profit Margins

During the period, the Group's gross profit shown in the consolidated income statement was RMB70,235,000, representing an increase of 23.2% as compared with RMB57,023,000 for the same period last year.

The business of the Group involves cultivation of oranges. In accordance with the relevant accounting policies, the Group's own farm grown oranges are treated as biological assets and are subject to fair value adjustment at the time of harvest in each December. Such adjustment would cause the reported gross profit in the Group's consolidated income statement to be less than the Group's actual gross profit due to the fact that an amount representing the gross profit of the Group's own farm grown oranges is excluded from the reported gross profit. Details of such accounting treatment are summarized in the following paragraphs.

In accordance with the relevant accounting policies, Group's own farm grown oranges are treated as biological assets at the time of harvest in each December. All harvested oranges are given a fair value by multiplying the volume by prevailing market price of oranges of the same type. The value representing the difference between the fair value and the cultivation costs of the harvested oranges is recognized as "gain from changes in fair value of biological assets" in the consolidated income statement, which is actually represents the gross profit of the harvested oranges of the Group's own farm. Subsequently, when these oranges are removed from inventory (for either producing FCOJ or sold as fresh oranges), their respective fair value (rather than the cultivation costs) is recognized as costs of sales in the consolidated income statement. This effectively overstates the cost of sales by an amount equivalent to the gross profit of the harvested oranges of the Group's own farm. As a result, the reported gross profit does not include the amount that represents the gross profit of the harvested oranges. Instead, such amount is reported as "gain from changes in fair value of biological assets" after the "gross profit" in the Group's consolidated income statement.

As discussed above, the reported gross profit of the Group in the consolidated income statement did not take into account the gross profit of its own farm grown oranges. In order to give a better illustration of the Group's overall gross profit, we use the Group's reportable segment profit results (that is the gross profit before adjustments of fair value of biological assets) as substitutes for discussion in the following paragraphs. Please also refer to note 3 on page 5 for details.

Gross profit for reportable segments grew by 40.1% for the period from RMB99,424,000 for the same period last year to RMB139,319,000. The overall gross profit margin increased from 54% to 66%. Such increase was primarily attributable to the following reasons: (i) the average selling price of FCOJ and fresh oranges increased significantly from that of the same period last year; (ii) sales of FCOJ fibre which had a relatively higher gross profit margin than other products as a percentage of sales from external customers increased from 24% for the same period last year to 34%; and (iii) gross profit contributed by processing oranges for production of FCOJ increased significantly from that of the same period last year due to the substantial increase in the reporting price of such oranges as a result of the selling price increase in fresh oranges while the cultivation costs remained relatively stable.

Gross profit margin of FCOJ declined from that of the same period last year primarily due to a greater increase in the cost of processing oranges than the average selling price of FCOJ products. However, as part of the oranges for FCOJ production came from the Group's own farms, this provided additional gross profit contribution to the Group through the price rise.

Gross profit margin of FCOJ fibre decreased from that of the same period last year, primarily due to the increase in raw material costs. However, since FCOJ fibre had a relatively higher gross margin than other products and FCOJ fibre as a percentage of the Group's sales from external customers increased from 24% for the same period last year to 34%, such increase helped to improve the Group's overall gross margin.

Gross profit margin of the Group's own farm grown oranges for production of FCOJ increased significantly from that of the same period last year. Sales revenue of such oranges was recognized as internal sales between subsidiaries and was therefore not included in the Group's total revenue in the consolidated income statement. However, the relevant gross profit was recognized in the consolidated income statement and therefore helped to significantly improve the Group's overall gross profit margin.

Net Profit

During the period, net profit of the Group was approximately RMB131,146,000, representing an increase of 40.5% from RMB93,353,000 for the same period last year. Profit attributable to equity shareholders of the Company increased by 43.1% from RMB91,660,000 to RMB131,146,000.

Distribution Costs and Administration Expenses

During the period, the Group's distribution costs rose by 20.3% from RMB11,679,000 for the same period last year to RMB14,046,000 for the six months ended 31 December 2010, primarily due to increase in transportation cost.

The Group's administration expenses rose from RMB17,907,000 for the same period last year to RMB18,527,000 for the six months ended 31 December 2010, representing an increase of 3.5%.

Income Tax

During the period, the Group's effective tax rate declined to 7.7% (same period last year: 12%). In accordance with the relevant favorable agricultural policies, the Group was granted income tax exemption by relevant PRC tax authorities during the period. The Group is not subject to corporate income tax for its orange juice production business from 1 January 2011. Since the Group has been already exempted from corporate income tax for its orange plantation and wholesale business, the Group is not subject to any corporate income tax from 1 January 2011 (which will be subject to annual review by the relevant PRC tax authority and change of the relevant tax exemption policies or regulations (if any)).

LIQUIDITY AND FINANCIAL RESOURCE AND CAPITAL STRUCTURE

As at 31 December 2010, the Group had cash and cash equivalent of RMB369,532,000 (30 June 2010: RMB429,074,000), and total bank loan of RMB87,500,000 (30 June 2010: RMB5,100,000). Approximately 95.1%, 4.8% and 0.1% of cash and cash equivalent were held in RMB, HKD and USD respectively. The secured bank loan of RMB5,100,000 was an interest-free entrusted bank loan granted by a local financial bureau of the PRC. The loan of RMB82,400,000 was secured by pledged bank deposits of RMB85,000,000.

As at 31 December 2010, the gearing ratio (total debt /total equity) of the Group was 29.4% (30 June 2010: 21.9%); current assets were RMB688,649,000 (30 June 2010: RMB532,800,000); current liabilities were RMB142,544,000 (30 June 2010: RMB22,486,000); and current ratio (current assets/ current liabilities) was 4.8 (30 June 2010: 23.7).

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

Foreign Exchange Exposure

The Group's sales and purchase were dominated in RMB. As a result, 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 operation as a result of any future currency fluctuations. No financial instruments were employed by the Group for hedging purposes during the period.

Capital Expenditure

During the period, total capital expenditure of the Group was RMB26,606,000 as compared to RMB47,989,000 for the same period last year, which was used for acquisition of property, plant and equipment and land use rights.

Net Financing Expenses/Income

During the period, the Group's net financing expenses amounted to RMB9,652,000 (financing income in the same period last year: net finance income of RMB74,000).

Charge on Assets

As at 31 December 2010, the Group had pledged bank loan deposits of RMB90,100,000 to secure bank loan granted to the Group (30 June 2010: pledged bank deposits of RMB5,100,000).

Contingent Liabilities

As at 31 December 2010, the Group had no material contingent liabilities (30 June 2010: nil).

HUMAN RESOURCES

As at 31 December 2010, the Group employed approximately 782 employees (31 December 2009: 691 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. Also, a share option scheme was adopted for employees of the Group.

PROSPECTS

The production capacity of the Group had improved from the same period last year. However, when compared with the overall demand for FCOJ in China, our capacity still falls short of meeting such demand. Looking into the future, the Group intends to continue to work on the following areas:

(1) To Expand Production Capacity Through Acquisitions and Phase II Project

The market demands for FCOJ and FCOJ fibre in China are very strong and most of the demand for FCOJ is met by imports. There is no imported FCOJ fibre products available in China market due to high transportation costs and labour cost. The Group is planning to expand its capacity for both FCOJ and FCOJ fibre products through acquisitions and Phase II project at Chongqing factory, with an aim to satisfy market demand.

(2) To Continue to Expand the Land Under Cultivation

Securing raw material supply is an integral part of FCOJ production process. We have plans to increase the area of land for cultivation in our own farms by stages in order to provide sufficient raw materials to meet the current and future production needs. We also plan for continuous expansion of plantation through acquisition.

(3) To Develop Tropical Fruit Juice

In view of the increasing demand for tropical fruits and tropical fruit juice in China, the Group plans to develop tropical fruit juice products in Hainan Province. The Group is actively looking for suitable acquisition targets as well as assessing the feasibility of building a facility in Hainan Province.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

Save as disclosed below, the Board considered that, during the six months ended 31 December 2010, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period, Mr. Sin Ke had been the chairman of the Board and the chief executive officer of the Company. This deviates from the code provision A.2.1.

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 two roles. 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 as a whole.

The Company understands the importance to comply with the code provision A.2.1 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.

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 during the six months ended 31 December 2010.

AUDIT COMMITTEE

The audit committee of the Company had reviewed with management of the Group the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the interim results and the interim report of the Group for the six months ended 31 December 2010.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 31 December 2010 (six months ended 31 December 2009: nil).

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

Quanzhou, Fujian Province, The People's Republic of China
25 February 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. TU Zongcai, Mr. ZHUANG Weidong and Mr. ZHUANG Xueyuan.