



# ASIAN CITRUS HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

**Annual Report & Accounts**  
**2009**

# CONTENTS

Financial Highlights	2
Chairman's Statement	5
Management Discussion and Analysis	9
Directors and Senior Management Profile	15
Directors' Report	19
Remuneration Report	25
Corporate Governance Statement	31
Independent Auditors' Report	34
Consolidated Income Statement	36
Consolidated Balance Sheet	37
Company Balance Sheet	38
Consolidated Statement of Changes in Equity	39
Consolidated Cash Flow Statement	40
Notes to the Financial Statements	42
Five Year Financial Summary	86
Company Information	57
Notice of Annual General Meeting	88

# FINANCIAL HIGHLIGHTS

## RESULTS OF OPERATIONS (RMB MILLION)

	For the year ended 30 June		% change
	2009	2008	
<b>Reported financial information</b>			
Revenue	668.5	533.8	+25
Gross profit	409.2	359.0	+14
EBITDA	501.9	413.6	+21
Profit before tax	442.3	367.7	+20
Profit attributable to shareholders	440.1	399.3	+10
Basic earnings per share (RMB)	5.81	5.38	+8
Diluted earnings per share (RMB)	5.81	5.37	+8
Dividend per share (RMB)	0.80	0.80	-
<b>Reported financial information adjusted to exclude biological gain</b>			
EBITDA	291.2	248.6	+17
Profit before tax	231.6	202.7	+14
Profit attributable to shareholders	229.4	234.3	-2
Basic earnings per share (RMB)	3.03	3.16	-4
Diluted earnings per share (RMB)	3.03	3.15	-4

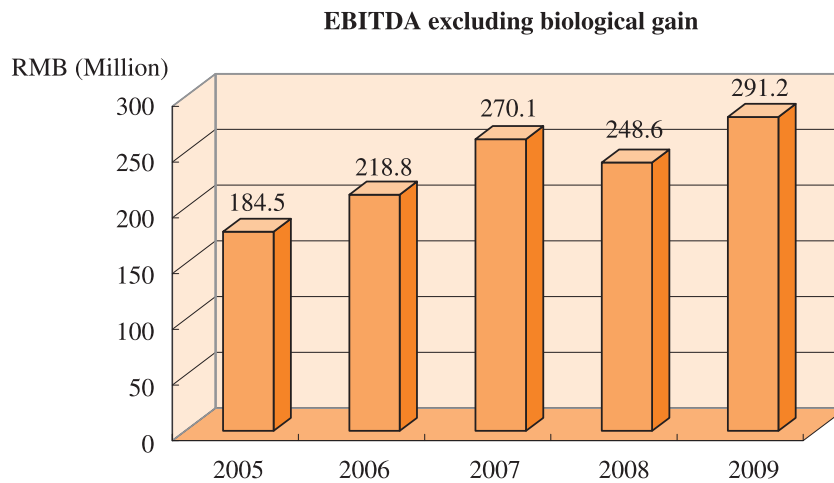
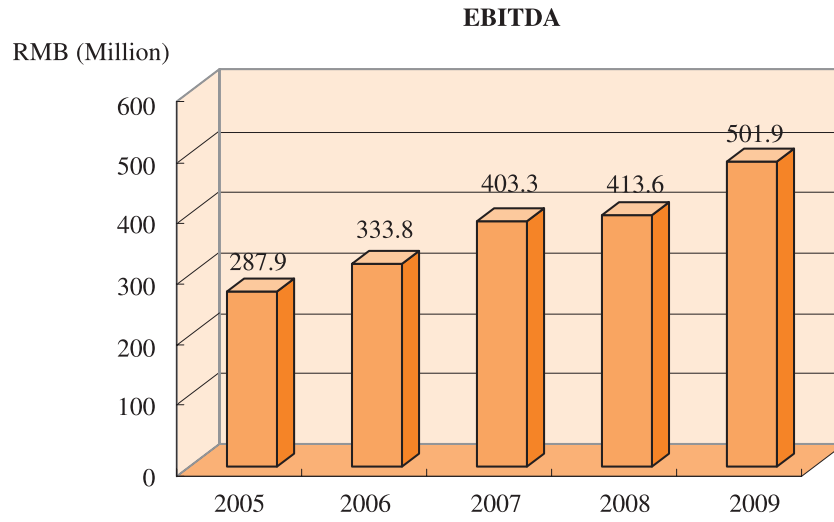
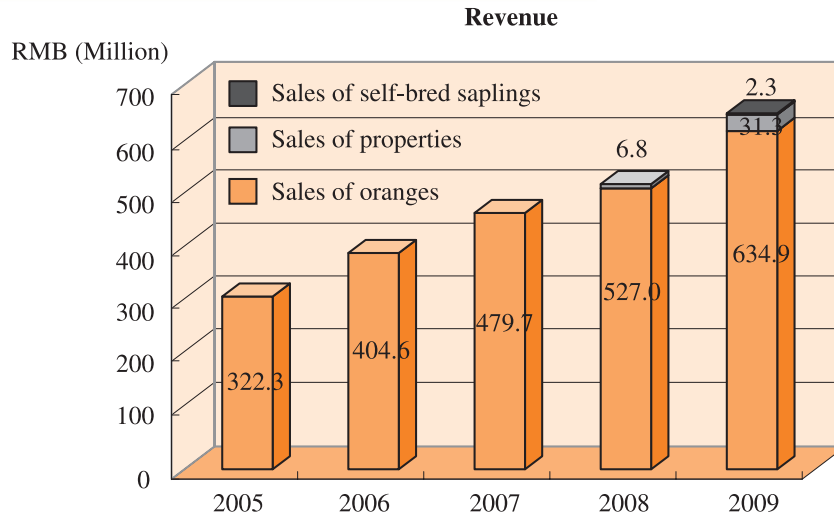
## FINANCIAL RATIOS

Gross profit margin (%)	61.2	67.3
Return on assets (%)	14.9	15.8
Return on equity (%)	15.1	16.2
Asset turnover (x)	0.23	0.21
Current ratio (x)	10.92	6.96

## FINANCIAL POSITION (RMB MILLION)

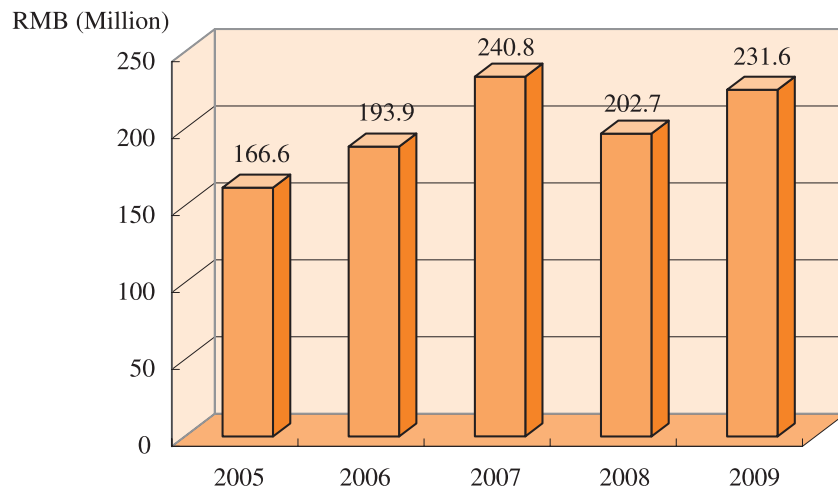
Total assets	2,957.1	2,527.3
Net current assets	513.7	345.5
Cash & bank balances	461.2	310.0
Shareholders' fund	2,905.3	2,469.3

# FINANCIAL HIGHLIGHTS

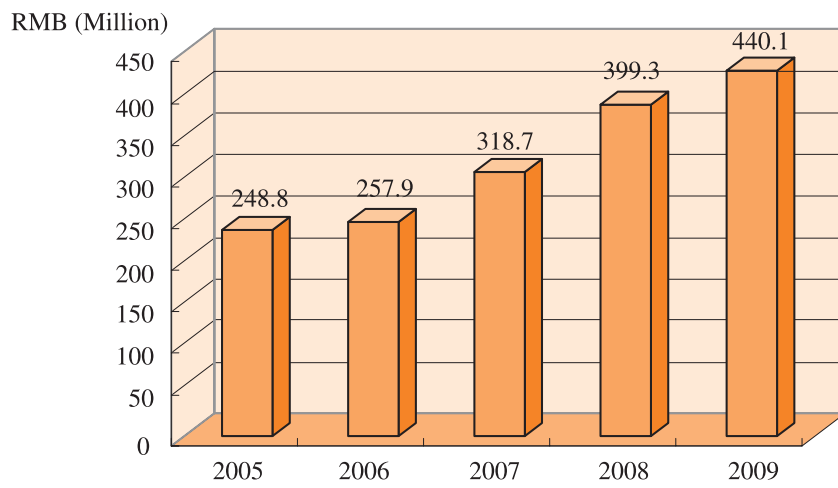


# FINANCIAL HIGHLIGHTS

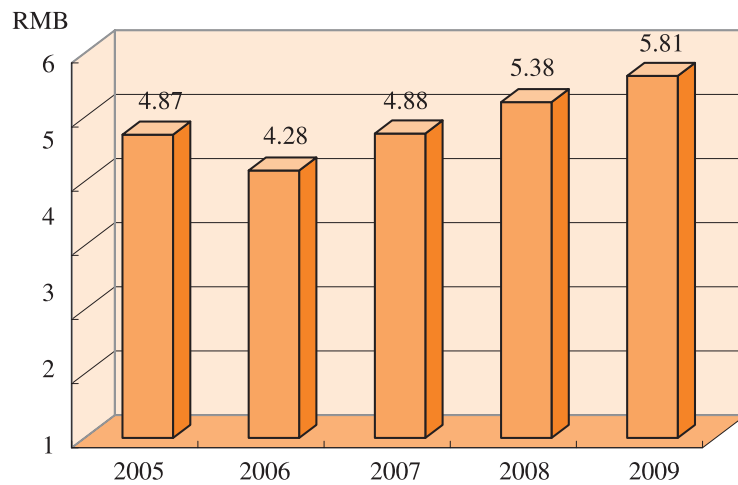
**Profit before tax excluding biological gain**



**Profit attributable to shareholders**



**Basic earnings per share**



# CHAIRMAN'S STATEMENT

I am very pleased to present the annual results of Asian Citrus Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2009.

## STRATEGIC OVERVIEW

During the year ended 30 June 2009, the Group renewed supply contracts with all of its existing customers. In addition, the Group continued to develop its direct sales offering to supermarkets in other geographical areas of China and added two new supermarket customers, one in Beijing and another in Guizhou province. We are confident that we will continue to expand our sales coverage to supermarkets in other geographical areas with increased volume in the near future.

During the year ended 30 June 2009, we sold approximately 42,977 tonnes of oranges to supermarkets directly, representing an increase of 21.7% from 35,303 tonnes sold in the previous year. The volume and revenue of sales to supermarkets accounted for 28.3% and 36.7% of the Group's production and revenue respectively.

After two years of operating our orange saplings nursery in the Hepu Plantation, there are now more than 280 advanced species of citrus seedlings in our nursery and mass production of self-bred saplings has commenced. In addition to the supply of self-bred saplings for our own replanting programme in the Hepu Plantation, we sold approximately 220,000 self-bred saplings to local farmers during the year. Apart from providing the Group with a new stream of revenue, the nursery function also enables the Group to secure a long-term stable supply of high-quality oranges as there are reciprocal agreements with the farmers which offer the Group the first right to purchase their oranges.

During the year, the Group expanded its nursery function by the construction of a new nursery at the Hunan Plantation, which was substantially completed in September 2009. This new nursery aims principally to provide saplings for the Hunan Plantation although, after the completion of the Hunan Plantation, it will also supply local farmers with orange saplings. We believe our strength in species development and our capability to mass produce orange saplings of good-species will further strengthen our leading position in the Chinese orange market.

## OPERATING REVIEW

The Hepu Plantation is now fully developed with approximately 1.3 million orange trees, of which approximately 1.2 million trees were producing oranges during the year ended 30 June 2009. Production output for the year was approximately 124,394 tonnes, representing an increase of 3.5% over the previous year's production of 120,189 tonnes. This growth was due mainly to the increase in production of certain winter orange trees with increasing maturity, offset by reduction in the number of orange-producing trees due to the replanting programme.

The Group's replanting programme in the Hepu Plantation is ongoing and 81,261 winter trees have been removed and replanted with the same number of the new species of summer orange trees during the year ended 30 June 2009. There are currently approximately 240,000 winter orange trees at the Hepu Plantation which are due to be replaced over the next four years. We are very confident that the replanting programme will deliver long term economic benefits by increasing average yields and achievable revenue per tonne from the improved species of summer oranges trees.

# CHAIRMAN'S STATEMENT

The Xinfeng Plantation is now fully planted with 1.6 million winter orange trees, of which 800,000 trees produced oranges during the year yielding approximately 27,665 tonnes of oranges, an increase of approximately 173% over the previous year's production of 10,119 tonnes. This growth was mainly due to the increased production from the initial planting of 400,000 winter oranges trees, which are still yet to achieve their full maturity, together with trial production from the next 400,000 trees. It is expected that a further 400,000 orange trees will start trial production in the winter of 2009.

During the year, the Group commenced construction of the Hunan Plantation, with an initial investment of approximately RMB20.3 million. It is expected that the Hunan Plantation will be fully planted with a total of 2.4 million orange trees before the end of 2013.

## TRADING RESULTS

The Group's revenue for sales of oranges was RMB634.9 million (2008: RMB527.0 million) in the year to 30 June 2009, representing growth of 20.5% on the prior year. This was achieved by an increase of approximately 16.7% in the Group's production, combined with a 3.3% increase in the average selling prices of the oranges to both wholesalers and supermarkets. We anticipate that the proportion of sales to supermarkets will continue to increase over time and that the Group's products will be able to achieve wider geographical exposure as further supermarket contracts are secured. During the year under review, we expanded our sales to supermarkets in Beijing and Guizhou province.

The gross margin achieved by the Hepu Plantation decreased slightly to 68.6% for the year (2008: 69.9%), mainly due to the higher costs associated with organic farming and wage inflation in China. The gross margin achieved by the Xinfeng Plantation was 29.1% for the year compared with 33.8% in the previous year. The reduction in gross margin at the Xinfeng Plantation was due mainly to the lower gross margin on the trial production in the winter of 2008. Over the medium term, as production volume increases and economies of scale are achieved, the Xinfeng Plantation is anticipated to demonstrate its potential for growth and better profitability. Combining the two plantations, the Group's gross margin for the core agricultural business was approximately 61.2% for the year ended 30 June 2009 (2008: 67.3%).

The cost of production for the core agricultural business increased from RMB169.3 million for the year ended 30 June 2008 to RMB235.0 million for the year ended 30 June 2009, principally due to the increased consumption of raw materials accompanying the growth of the Group's production volume, higher costs associated with organic farming and wage inflation in China. As a result, the average unit cost of production increased from RMB1.30 per Kg for the year ended 30 June 2008 to approximately RMB1.55 per Kg for the year ended 30 June 2009.

During the year, the Group began to sell some of its self-bred saplings to local farmers following the mass production of saplings in the nursery at the Hepu Plantation. Approximately 220,000 oranges saplings were sold to local farmers and the Group recorded RMB2.2 million of revenue for sales of these saplings during the year.

In addition to the core agricultural business, the transfer of ownerships and titles of 96 units of Phase 1 of the Xinfeng Development were also completed during the year. As a result, the Group realised revenue and corresponding costs (excluding business tax and other relevant taxes and charges that may still be levied) of RMB31.3 million and RMB23.7 million respectively during the year.

# CHAIRMAN'S STATEMENT

## HONG KONG LISTING

As announced on 28 August 2009, the Company has submitted its application to the Stock Exchange of Hong Kong Limited ("HKEx") for a dual primary listing by way of an introduction ("New Listing"). The New Listing will be in addition to the Company's existing quotation on the AIM and PLUS Markets in London. The Company's board of directors is satisfied that the listing is in the best interests of the shareholders. The New Listing is subject to, amongst other things, the approval of the listing sub-committee of the board of directors of the HKEx and, subject to this approval, it is expected that the New Listing may occur in late 2009. We anticipate that the New Listing will bring enhanced liquidity to the shares of the Company.

## INVESTOR RELATIONS

The Board is committed to maintaining good communications with its shareholders and potential investors. The Group maintains a regularly-updated website ([www.asian-citrus.com](http://www.asian-citrus.com)), which enables shareholders and potential investors to understand the Group better and to communicate with the senior management of the Group in a user-friendly platform. In addition, the Group's management visited certain institutional investors and private client investment advisers during October and November 2008 to update shareholders on the Group's latest developments and introduce the Group to potential new investors.

## DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.8 per share for the financial year ended 30 June 2009. This equates to 26.9% of the adjusted earnings excluding fair value gain of biological assets for the year ended 30 June 2009 which the Board views as an appropriate payout to provide shareholders with an attractive yield while leaving the Group with sufficient capital for further developments. The Company has decided to institute a Scrip Dividend Scheme whereby shareholders will be offered the opportunity to elect to receive the final dividend for the year ended 30 June 2009 in the form of shares. A document providing further details of this Scrip Dividend Scheme will be sent to shareholders in due course.

The final dividend, if approved at the Annual General Meeting on 11 December 2009, will be paid in sterling on or before 31 December 2009, to shareholders on the register on 13 November 2009, with an ex-dividend date of 11 November 2009. The actual translation rate for the purpose of dividend payment in sterling will be referenced to the exchange rate on 13 November 2009.

## OUTLOOK

The global financial crisis in the second half of 2008 created an extremely challenging business environment around the world, including China. There was a sharp drop in consumer confidence and lower demand for consumables. Despite these challenges, we continued to focus our resources on expanding our distribution network and we were able to extend our sales to supermarkets in Beijing and Guizhou province given our outstanding species and quality of oranges.

## CHAIRMAN'S STATEMENT

The business environment has largely improved in 2009 following a series of economic measures adopted by various governments around the world. The most important measure relevant to the Group is China's Stimulus Plan of RMB4 trillion, which aims to promote domestic demand and economic growth of the domestic economy by targeting gross domestic product growth of 8% per annum. We believe that this plan will greatly enhance domestic demand for consumables and we are confident that we will be able to expand our distribution network to more supermarkets in the near future.

We believe that the proposed Hong Kong listing is desirable and that the liquidity of the Company's shares will be enhanced.

We are confident that Asian Citrus will continue to progress and deliver good value to its shareholders in wake of the continued economic growth in China.

**Tony Tong**  
*Chairman*

15 September 2009

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING PERFORMANCE

### Revenue

Revenue from sales of oranges grew by 20.5% to RMB634.9 million for the year ended 30 June 2009. This was achieved by an increase of 16.7% in the Group's production to 152,059 tonnes combined with 3.3% increase in average selling price of oranges.

The production yield from Hepu Plantation increased by 3.5% to 124,394 tonnes for the year ended 30 June 2009. As the orange trees continue to mature and more trees reached orange-bearing age, the production yield from the Xinfeng Plantation increased significantly by 173.4% to 27,665 tonnes for the year ended 30 June 2009 from 10,119 tonnes in the comparable year.

The first sales of self-bred saplings developed from the nursery centre at the Hepu Plantation has taken place in April 2009. For the year ended 30 June 2009, RMB2.2 million was recognised from the sales of the self-bred saplings.

In addition, approximately RMB33.1 million was recognised from sales of wholesale units in Phase I of the Xinfeng Development.

Combining the above, the Group's revenue increased by 25.2% to RMB668.5 million for the year ended 30 June 2009.

By product mix, Summer Oranges continued to dominate and represented approximately 53.9% of total revenue for the year, compared to approximately 64.7% for the comparable year. The percentage of Winter Oranges increased from 34.0% for the year ended 30 June 2008 to 41.1% for the year ended 30 June 2009. This was mainly due to an increase in the maturity of Winter Orange trees as well as an increase in the number of Winter Orange trees reaching orange-bearing age. The breakdown of sales by types is as follows:

	For the year ended 30 June			
	2009		2008	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Winter Oranges	274,597	41.1%	181,227	34.0%
Summer Oranges	360,348	53.9%	345,753	64.7%
<b>Sales of oranges</b>	<b>634,945</b>	<b>95.0%</b>	<b>526,980</b>	<b>98.7%</b>
<b>Sales of self-bred saplings</b>	<b>2,246</b>	<b>0.3%</b>	<b>—</b>	<b>—</b>
<b>Sales of properties</b>	<b>31,338</b>	<b>4.7%</b>	<b>6,795</b>	<b>1.3%</b>
<b>Total revenue</b>	<b>668,529</b>	<b>100.0%</b>	<b>533,775</b>	<b>100.0%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

During the two years ended 30 June 2009 and 2008, all of the Group's products were sold domestically. The Group's customers for the sales of oranges can mainly be divided into three categories, namely corporate customers, wholesale customers and supermarket chains. The breakdown of revenue by types of customers is as follows:

	For the year ended 30 June	
	2009	2008
	% of total revenue	
<b>Types of customers</b>		
Corporate customers	<b>38.9%</b>	36.2%
Supermarket chains	<b>36.7%</b>	36.3%
Wholesale customers	<b>23.9%</b>	26.8%
Other	<b>0.5%</b>	0.7%
<b>Total</b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>

For the year ended 30 June 2009, 28.3% and 36.7% respectively of the Group's production volume and revenue was sold to supermarket chains, an increase from 27.1% and 36.3% respectively for the year ended 30 June 2008.

For the Hepu Plantation and Xinfeng Plantation, the production volume sold to supermarkets was 39,475 tonnes and 3,502 tonnes for the year ended 30 June 2009, increased from 34,555 tonnes and 748 tonnes for the year ended 30 June 2008 respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Cost of sales

Cost of sales principally consists of the costs of raw materials such as fertilisers, packaging materials, pesticides and other direct costs such as direct labour, depreciation and production overheads. The breakdown of cost of sales is as follows:

Cost of sales	2009		For the year ended 30 June 2008	
	RMB'000	% of Cost of sales	RMB'000	% of Cost of sales
Inventories used				
Fertilisers	105,072	40.5%	64,945	37.2%
Packaging materials	39,182	15.1%	35,398	20.2%
Pesticides	19,684	7.6%	16,930	9.7%
	<u>163,938</u>	<u>63.2%</u>	<u>117,273</u>	<u>67.1%</u>
Production overheads				
Direct labour	25,488	9.8%	17,158	9.8%
Depreciation	38,410	14.8%	27,013	15.5%
Others	7,203	2.8%	7,807	4.5%
	<u>235,039</u>	<u>90.6%</u>	<u>169,251</u>	<u>96.9%</u>
Cost of sales of oranges	562	0.2%	—	—
Cost of sales of self-bred saplings	23,704	9.2%	5,476	3.1%
Cost of sales of properties	<u>259,305</u>	<u>100.0%</u>	<u>174,727</u>	<u>100.0%</u>
<b>Total</b>	<b><u>259,305</u></b>	<b><u>100.0%</u></b>	<b><u>174,727</u></b>	<b><u>100.0%</u></b>

The production costs of the core agricultural business increased by 38.8% to RMB235.0 million (2008: RMB169.3 million). The increase in production costs was principally due to the increase in raw materials utilised for higher production volumes, inclusion of production costs related to the first harvest of the second batch of 400,000 orange trees in Xinfeng Planation, higher production overheads associated with organic farming and wage inflation in the PRC. As a result, the average unit cost of oranges increased to RMB1.55 per kg from RMB1.30 per kg in the last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross profit

The Group's overall gross profit increased by 14.0% to approximately RMB409.2 million for the year ended 30 June 2009 (2008: RMB359.0 million). The improvement in gross profit was the result of an increase in the production output of the Group's orange trees from a total of 130,308 tonnes to 152,059 tonnes and a 3.3% increase in the average price of oranges.

The Group's profit margin reported 61.2% (2008: 67.3%) in this year. The decrease was mainly due to the higher contribution from Xinfeng Plantation at a lower profit margin reflecting its early stage of development. In addition, there were higher costs associated with the organic farming and wage inflation in the PRC. For Hepu Plantation alone, the gross profit margin was virtually maintained at approximately 68.6% in this financial year (2008: 69.9%).

## Other income

The Group recorded a gain of RMB210.6 million from changes in fair value of biological assets for the year ended 30 June 2009, compared to a gain of RMB165 million for the last year. The increase in this year was mainly due to the higher selling price of the oranges achieved by the Group, the transfer of 446,077 infant trees to orange trees and the increased maturity of orange trees in Xinfeng Plantation during the year.

## Selling and distribution expenses

Selling and distribution expenses mainly comprise sales commissions, advertising, salaries and welfare of sales personnel, travelling and transportation expenses. The selling and distribution expenses of the Group increased from RMB35.5 million for the year ended 30 June 2008 to RMB39.9 million for the year ended 30 June 2009, representing an increase of 12.4%, mainly resulting from the increased sale activities in Xinfeng Plantation and higher transportation costs as a result of increased volume of sales to supermarkets.

## General and administrative expenses

General and administrative expenses comprise mainly salary, office administration expenses, depreciation, amortisation, raw material utilised for infant trees and research costs. The general and administrative expenses of the Group were RMB137.5 million for the year ended 30 June 2009 compared to RMB125.4 million in 2008, the increase was mainly due to the higher fertiliser costs, an increase in number of infant trees at the Hepu Plantation to 213,000 for the year ended 30 June 2009 as compared to 177,000 for the year ended 30 June 2008 and the higher utilisation of certain fertilisers in Xinfeng Plantation to enhance the soil fertility for better growth of the infant trees. The Group also recognised a cost of RMB9.0 million in relation to employee share option benefits for the year, representing an increase of RMB2.0 million over last year. Research costs have increased by RMB1.6 million as the Group continued to conduct its own research programme to maintain the high standard of cultivation and plantation management techniques. In addition, the Group incurred certain start up costs for the Group's development in the PRC during the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit

Pre-tax profit was RMB442.3 million for the year ended 30 June 2009, representing an increase of 20.3% as compared to the last year. The profit attributable to shareholders for the year ended 30 June 2009 increased to RMB440.1 million, compared to RMB399.3 million for 2008, up 10.2%. This increase was mainly due to the higher operating profit from greater production volume and the higher selling price of oranges together with the additional profit recognised from sales of wholesale units of the Phase 1 of Xinfeng Development.

There was one-off tax credit from the reversal of net deferred tax liabilities of RMB42.9 million recognised for the year ended 30 June 2008 and excluding this one-off tax credit, net profit would have been up by 23.5%.

Pre-tax profit excluding the biological gain was RMB231.6 million for the year ended 30 June 2009, representing an increase of 14.3% as compared to the last year. The profit attributable to shareholders excluding the biological gain for the year ended 30 June 2009 was RMB229.4 million, compared to RMB234.3 million for the last year. Excluding the one-off tax credit in 2007/08 as mentioned above, net profit excluding the biological gain would have been up by 19.9%.

## PRODUCTIVITY

The increasing maturity of the orange trees, together with effective managerial planning and production supervision, have led to productivity gains.

Types of produce	For the year ended 30 June			
	2009	% of	2008	% of
	Tonnes	total output	Tonnes	total output
Winter Oranges	80,807	53.1%	59,281	45.5%
Summer Oranges	71,252	46.9%	71,027	54.5%
<b>Total</b>	<b>152,059</b>		<b>130,308</b>	

The production volume of Winter Oranges increased to 80,807 tonnes for the year ended 30 June 2009, representing an increase of 36.3%. The production volume of Winter Oranges in Hepu Plantation increased from 49,162 tonnes for the year ended 30 June 2008 to 53,142 tonnes for the year ended 30 June 2009, representing an increase of 8.1% as a result of increasing maturity of certain Winter Orange trees in the Hepu Plantation. As the orange trees continued to mature and more trees reached orange-bearing age, the production volume of Winter Oranges from Xinfeng Plantation increased significantly by 173.4% to 27,665 tonnes for the year ended 30 June 2009 from 10,119 tonnes in 2008.

The production volume of Summer Oranges slightly increased to 71,252 tonnes for the year ended 30 June 2009 (2008: 71,027 tonnes).

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL PERFORMANCE

	As at 30 June	
	2009	2008
Current ratio (x)	<b>10.92</b>	6.96
Quick ratio (x)	<b>9.19</b>	5.69
Asset turnover (x)	<b>0.23</b>	0.21
Pre-tax earnings per share (RMB)	<b>5.84</b>	4.96
Basic earnings per share (RMB)	<b>5.81</b>	5.38
Net debt to equity (%)	<b>Net cash</b>	Net cash

### Liquidity

The current ratio and quick ratio increased to 10.92 and 9.19 respectively. The liquidity of the Group remained healthy with sufficient reserves for both operation and development.

### Profitability

The asset turnover of the Group improved to 0.23 for the year ended 30 June 2009 (2008: 0.21).

The pre-tax earnings per share for the year ended 30 June 2009 was RMB5.84 (2008: RMB4.96).

The basic earnings per share for the year ended 30 June 2009 was RMB5.81 (2008: RMB5.38). This was driven by the 10.2% increase in net profit for the year, but was partially offset by the dilution from the issuance of new ordinary shares to shareholders participated in the scrip dividend.

### Debt ratio

The net cash positions of the Group were RMB461.2 million and RMB310.0 million at 30 June 2009 and 2008 respectively.

### Internal cash resource

The Group's major internal cash resource is its cash and bank balances. The Group did not have any outstanding bank borrowings or guarantee as at 30 June 2009.

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## EXECUTIVE DIRECTORS

### **Mr. TONG Wang Chow**, *Executive Chairman and Chief Executive Officer*

Mr. Tong Wang Chow, age 70, is the founder of the Group in 2000. Mr. Tong is also the general manager of both the Hepu Plantation and the Xinfeng Plantation. He is responsible for the overall strategic planning and direction of the Group. Mr. Tong has over 20 years of business development experience in the PRC, principally in the brewing and transportation industries, and has approximately 10 years of experience in the plantation and food industry. He is a member of the CPPCC Guangdong Province Shantou Municipal Committee (the 11th session), the Permanent Honorary Chairman of the Hong Kong Shantou Merchants Association, a director of the Chinese Manufacturers Association of Hong Kong and the Honorary Consultant of the Cheung Chau Chiu Chow Association Co., Ltd.. He is a Honorary President of the Association for the Promotion of Hong Kong Heilongjiang Economy and the Vice Chairman of the Ganzhou Navel Orange Association . He was the Honorary Consul of Mongolia in the HKSAR from 2006 to June 2008. Mr. Tong is the father of Mr. Tong Hung Wai, Tommy.

### **Mr. TONG Hung Wai, Tommy**, *Sale and Marketing Director*

Mr. Tong Hung Wai, Tommy, age 40, is the co-founder of the Group. He is responsible for the sales and marketing of the Group and has several years of experience in marketing and business management. Mr. Tong obtained a bachelor's degree in international business in 1996 from Queensland University of Technology, Australia. He also obtained a diploma in export management from Australian Institute of Export (OLD) Ltd.. He is the son of Mr. Tong Wang Chow.

### **Mr. CHEUNG Wai Sun**, *Executive Director*

Mr. Cheung Wai Sun, age 50, joined the Board on 18 November 2003. Following the Company's listing on AIM in 2005, Mr. Cheung became a full-time employee of the Group. Mr. Cheung joined Chaoda Vegetable & Fruits Limited ("Chaoda Vegetable"), a subsidiary of Chaoda Modern Agriculture (Holdings) Limited ("Chaoda") which is a major shareholder of the Company, in 2000 and was the deputy general manager of Chaoda Vegetable. He resigned as the deputy general manager of Chaoda Vegetable in 2005. Mr. Cheung has gained extensive knowledge and experience in the agricultural business in the PRC by virtue of his position in Chaoda Vegetable. He was a member of the CPPCC Guangdong Province Meizhou Municipal Committee (the fourth session).

### **Mr. PANG Yi**, *Deputy General Manager of the Hepu Plantation*

Mr. Pang Yi, age 40, joined the Group in 2000 as the Deputy General Manager of the Hepu Plantation and was appointed as an executive Director on 16 June 2005. He is responsible for the Group's overall operation and management in the PRC. He obtained a graduation certificate in plantation economic management from the Northwest Sci-Tech University of Agriculture and Forestry in 1995. Mr. Pang had been appointed by Guangxi Foreign Trade and Economic Cooperation Department as investment service supervisor of Guangxi Zhuang Autonomous Region from 2002 to 2005. He was also a member of the CPPCC Guangxi Zhuang Autonomous Region Hepu County Committee.

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## **Mr. SUNG Chi Keung**, *Finance Director and Company Secretary*

Mr. Sung Chi Keung, age 34, joined the Company in 2004 as the Company's financial controller of the Group and was appointed as an executive Director on 15 January 2007. Mr. Sung became the Company Secretary of the Company in August 2004. Mr. Sung holds a bachelor's degree in business administration, majoring in accountancy, from the Chinese University of Hong Kong and a master's degree in corporate finance from Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Sung has over ten years of experience in financial management, accounting, taxation, auditing and corporate finance and previously worked for KPMG, PricewaterhouseCoopers and Deloitte & Touche Corporate Finance Ltd., before joining the Group in August 2004.

## **NON-EXECUTIVE DIRECTORS**

### **Mr. IP Chi Ming**, *Non-Executive Vice Chairman*

Mr. Ip Chi Ming, age 48, joined the Group in August 2001 and was appointed as a non-executive Director on 18 November 2003. Mr. Ip is also an executive director of Chaoda and the general manager of Chaoda Vegetable. Mr. Ip was introduced to the Company due to his position in Chaoda. Mr. Ip has over 18 years of experience in trading and marketing in the food produce industry as well as extensive experience in corporate strategic planning, overall management, business development and sales and marketing.

### **Mr. MA Chiu Cheung, Andrew**, *Non-Executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee*

Mr. Ma Chiu Cheung, Andrew, age 67, joined the Board on 7 August 2004. Mr. Ma is a founder and former director of Andrew Ma DFK (CPA) Limited. He is presently a director of Mayee Management Limited. He has more than 30 years of experience in accounting and finance. He obtained a bachelor's degree in economics from the London School of Economics and Political Science, University of London in England. Mr. Ma is a fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Directors and the Taxation Institute of Hong Kong. Mr. Ma is currently an independent non-executive director of a few other companies which are listed on the Main Board of the Stock Exchange of Hong Kong Limited including Tanrich Financial Holdings Limited, Asia Financial Holdings Limited, Peaktop International Holdings Ltd, C.P. Pokphand Co., Ltd, China Resources Power Holdings Company Limited and Chong Hing Bank Limited.

### **Dr. LUI Ming Wah, SBS JP**, *Non-Executive Director*

Dr. Lui Ming Wah, SBS JP, age 71, joined the Board on 2 June 2004. Dr. Lui is an industrialist serving as the honorary chairman of the Hong Kong Electronic Industries Association and the president of the Hong Kong Shandong Business Association. He is a member of the Chinese People's Political Consultative Conference. Dr. Lui was elected to the Legislative Council of Hong Kong in May 1998 for a term of two years. In the 2000 and 2004 Legislative Council elections, he was elected again for a term of four years. He sits on the council of the Hong Kong Polytechnic University, is the observer of the Hong Kong Independent Police Complaints Council and is an Advisor Professor of Shandong University. Dr. Lui obtained his masters and doctorate degrees from the University of New South Wales in Australia and the University of Saskatchewan in Canada, respectively. He is currently the Managing Director of Keystone Electronics Co. Limited. Dr. Lui is currently an independent non-executive director of a few other companies which are listed on the Main Board and GEM Board of the Stock Exchange of Hong Kong Limited, including AV Concept Holdings Limited, Gold Peak Industries (Holdings) Limited, S.A.S. Dragon Holdings Limited, Glory Mark Hi-tech (Holdings) Limited and L.K. Technology Holdings Limited.

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### **Mr. YANG Zhen Han**, *Non-Executive Director*

Mr. Yang Zhen Han, age 77, joined the Board on 2 June 2004. Mr. Yang obtained a bachelor's degree in chemical engineering from Shanghai Jiao-Tong University in 1953. Mr. Yang is a machine-building specialist with over 30 years of experience. Mr. Yang was a director of the Foreign Economic Relations and Trade Commission of Shanghai Municipality, responsible for the international trade and foreign investment affairs of Shanghai city from 1983 to 1985. Mr. Yang had been a member of Guangzhou Political Consultation Conference from 2002 to 2007.

### **Mr. Nicholas SMITH**, *Non-Executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee*

Mr. Nicholas Smith, age 57, joined the Board on 1 July 2005. Mr. Smith has over 20 years experience in investment banking, having worked in Europe and Asia for Flemings, Jardine Fleming and HSBC. His roles have included Co-Head of Investment Banking and Chief Financial Officer of the Jardine Fleming Group. Mr. Smith is a Chartered Accountant and previously worked for KPMG and Ernst & Young. He currently serves as a non-executive director of PLUS Markets Group Plc, Armor Designs, Inc. and Sorbic International Ltd which are listed on AIM of the London Stock Exchange. He is also Chairman of privately held Ophir Energy Plc.

### **Hon Peregrine MONCREIFFE**, *Non-Executive Director*

Hon Peregrine Moncreiffe, age 58, was appointed to the Board on 1 February 2006 by Metage Funds Limited and Metage Special Emerging Markets Fund Limited, acting jointly, pursuant to the terms of the convertible bonds issued by the Company on 14 July 2005. Mr. Moncreiffe owns less than 2% interests in each of Metage Funds Limited and Metage Special Emerging Markets Fund Limited. Mr. Moncreiffe is on the board of Metage Funds Limited and Metage Special Emerging Markets Fund Limited. After graduating from Oxford University Mr. Moncreiffe spent much of his career in investment management and banking in London, New York and East Asia. After starting his career with the Credit Suisse First Boston Group Mr. Moncreiffe became a managing director of Lehman Brothers in New York before helping to found Buchanan Partners, a London based investment company of which he was chief executive. He is Chairman of North Atlantic Smaller Companies Investment Trust Plc.

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## SENIOR MANAGEMENT

**Mr. LIU Geng Feng**, age 69, is the head of the Group's research and development team. Mr. Liu joined the Group in 2000. Before joining the Group, he supervised the PhD programme at the Hunan Agriculture Research Institute for 36 years.

**Madam ZHAO Li Na**, age 51, is the financial controller of the Hepu Plantation. Madam Zhao joined the Group in 2003 and has over 20 years of experience in the financial management and accounting field in PRC.

**Mr. XIAN Jia Xu**, age 45, is the manager of the plantation department of the Hepu Plantation. Mr. Xian joined the Group in January 2000. Mr. Xian obtained his bachelor's degree in agriculture from the University of Guangxi in 1986 and has worked for Tropicana China Beihai Food Company Limited. He has over 15 years of experience in agricultural and cultivation management.

**Mr. ZHONG Kun He**, age 45, joined the Group in March 2000 and is the executive controller of the Xinfeng Plantation. Mr. Zhong graduated from the Zhanjiang Agriculture Professional School specialising in fruits tree management. Mr. Zhong previously worked for Tropicana China Beihai Food Company Limited which was the original owner of the Hepu Plantation, and has over 20 years of experience in agricultural and cultivation management.

**Mr. Wu Feng**, age 41, joined the Group in August 2007 and is the deputy general manager of the Hunan Plantation. Mr. Wu graduated from Zhanjiang Agriculture Professional School specialising in fruits tree management. Prior to joining the Group, he has worked in various agricultural companies in PRC responsible for plantation management. He has over 19 years of experience in agricultural and cultivation management.

**Dr. WANG Shao Ke**, age 56, joined the Group in April 2006 and is the chief scientist of the Group. He obtained the degree of Doctor of Philosophy (Agronomy) at Colorado State University in the United States in 1987. Dr. Wang is a Faculty Affiliate of the Department of Soil and Crop Sciences at Colorado State University in the United States. He was a Chief Scientist and Acting Director of China Agricultural Development (Hong Kong) Ltd from 1997 to 2006, which has developed a large-scale new citrus farm of grapefruits, limes, oranges and many new healthy crops in Southern China. Dr. Wang has been active in the international scientific activities. He was appointed by the International Barley Genetic Committee as an International Coordinator for the barley Chromosome 2 and served in that position from 1990 to 1992. He has also authored numerous papers in the scientific journals published in the United States, Germany, Canada, Japan, Italy and the PRC. He is an Honorary Professor of the Inner-Mongolian Academy of Agricultural Sciences and the Xinjiang Academy of Agricultural Sciences in the PRC. He has been invited to the PRC to lecture and give scientific advices during the past 15 years.

The Directors are pleased to present their report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 30 June 2009.

## PRINCIPAL ACTIVITIES

The Company is an exempted company incorporated under the laws of Bermuda with limited liability on 4 June 2003. The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are planting, cultivation and selling of agricultural produces and sales of properties in an agricultural wholesale market and orange processing centre. The Group currently owns and operates orange plantations in the People's Republic of China ("PRC").

## BUSINESS REVIEW

A review of Group's performance, business activities and development is included in the Chairman's Statement and the Management Discussion and Analysis on pages 5 to 14.

## RESULTS

The profit attributable to shareholders for the year is set out in the Consolidated Income Statement on page 36.

## DIVIDENDS

The Directors are pleased to recommend that a final dividend of RMB0.8 (equivalent to approximately 7.0p) per share will be paid in sterling on or before 31 December 2009, subject to the approval of the forthcoming annual general meeting on 11 December 2009. The translation of RMB into sterling was made at the exchange rate of 11.37 as at 30 June 2009 for illustrative purpose only. The actual translation rate for the purpose of dividend payment in sterling will be referenced to exchange rate on 13 November 2009.

The register of members of the Company will be closed on the record date of 13 November 2009, with an ex-dividend date of 11 November 2009. Only shareholders that appear on the register on the record date will be qualified for the proposed final dividend.

The shareholders will receive their cash dividends in sterling. It is also intended that the scrip dividend alternative to the cash dividend will be offered during 2009. A document providing further details of the Scrip Dividend Scheme will be sent to shareholders in due course.

# DIRECTORS' REPORT

## DIRECTORS

The Directors of the Company are set out below:

<b>Director</b>	<b>Date of appointment</b>
<i>Executive Directors</i>	
Mr. Tong Wang Chow	18 November 2003
Mr. Tong Hung Wai, Tommy	18 November 2003
Mr. Cheung Wai Sun	18 November 2003
Mr. Pang Yi	16 June 2005
Mr. Sung Chi Keung	15 January 2007
<i>Non-executive Directors</i>	
Mr. Ip Chi Ming	18 November 2003
Mr. Ma Chiu Cheung, Andrew	7 August 2004
Dr. Lui Ming Wah, SBS JP	2 June 2004
Mr. Yang Zhen Han	2 June 2004
Mr. Nicholas Smith	1 July 2005
Hon Peregrine Moncreiffe	1 February 2006

No Directors has resigned during the year ended 30 June 2009.

In accordance with Bye-laws 93(1) and (2) of the Company's Bye-laws, at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation. The Directors to retire every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

This year, in accordance with the Company's Bye-laws, Mr. Tong Hung Wai, Tommy, Mr. Cheung Wai Sun and Mr. Ip Chi Ming will retire at the forthcoming annual general meeting of the Company and all of them, being eligible, offer themselves for re-election.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS

The Directors who held office during the year and their interests in ordinary shares and share options of the Company were as follows:

Director	As at 30 June 2009			
	Ordinary shares	Share options at exercise price of 112 pence	Share options at exercise price of 204.5 pence	Share options at exercise price of 139 pence
Mr. Tong Wang Chow*	20,292,434	—	150,000	150,000
Mr. Tong Hung Wai, Tommy*	1,602,034	—	55,000	60,000
Mr. Cheung Wai Sun	—	—	45,000	60,000
Mr. Pang Yi	—	135,000	120,000	120,000
Mr. Sung Chi Keung	—	108,000	100,000	120,000
Mr. Ip Chi Ming	—	—	—	—
Mr. Ma Chiu Cheung, Andrew	—	—	—	—
Dr. Lui Ming Wah, SBS JP	—	—	—	—
Mr. Yang Zhen Han	—	—	—	—
Mr. Nicholas Smith **	71,883	—	—	—
Hon Peregrine Moncreiffe	—	—	—	—

\* Through their respective shareholding in Market Ahead Investments Limited

\*\* The 71,883 shares were held as to 30,000 shares by HSBC Securities Services (Isle of Man) as trustee of InterRetire - Smith Executive Retirement Plan (the "Plan") and as to 41,883 shares by Mr. Nicholas Smith in his own name. Mr. Nicholas Smith is a direct beneficiary of the Plan and is deemed to have an interest in the shares held by the Plan.

Full details of Directors' service contracts, remuneration and share option interests can be found in the Remuneration Report on pages 25 to 30.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDINGS

As at 31 August 2009, the latest practicable date prior to the publication of this report, the following shareholdings in excess of 3% of the share capital:

Shareholder	Number of ordinary shares	% of issued capital
Market Ahead Investments Limited	26,700,571	34.65
Huge Market Investments Limited	25,653,489	33.29
Orchid Asia Group Management Limited	3,638,223	4.72
Metage Funds Limited and Metage Emerging Markets Funds Limited	3,608,476	4.68

## THE BOARD OF DIRECTORS

The Board is comprised of five Executive Directors and six Non-Executive Directors. Each of the Executive Directors has a wealth of agricultural experience and the Non-Executive Directors have a wealth of experience in finance and corporate development. The Directors are satisfied that the composition of the Board meets the Code's objective of ensuring checks and balances in the Company's management. The composition of the Board ensures that no one individual or group dominates the decision market process.

## BOARD MEETINGS

The Board ordinarily meets on a bi-monthly basis, providing effective leadership and overall management of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the Company's forecast and budget, major capital expenditure and the financial statements. Formal agendas, papers and reports are sent to the Directors in a timely manner, prior to Board meetings. The Board delegates certain of its responsibilities to the Board committees which have clearly defined terms of reference which are listed below.

## AUDIT COMMITTEE

The committee is made up of two Non-Executive Directors: Mr. Ma Chiu Cheung, Andrew, who chairs the committee, and Mr. Nicholas Smith. The committee reviews the Company's arrangements with external auditors, including the audit's cost-effectiveness as well as the auditors' independence and objectivity.

Audit issues are addressed at least twice a year, at which time the Company's external auditors attend the relevant meeting. Consideration is given to the auditors' pre- and post- audit reports, which make it possible for the Company to review accounting policies, internal control assessment, and the financial information contained in annual and interim reports.

## REMUNERATION COMMITTEE

The principal function of this committee is to determine the policy on executives' remuneration. The committee consists of two Non-Executive Directors: Mr. Nicholas Smith, who chairs the committee, and Mr. Ma Chiu Cheung, Andrew. The committee aims to attract, retain and motivate high caliber individuals with a competitive remuneration package.

Remuneration for executive normally comprises basis salary, bonus, benefits in kind and share options. Details of the current Directors' remuneration and the share option plan are shown in the Remuneration Report.

## INTERNAL CONTROL

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Since the Company was formed, the Directors are satisfied that, given the current size and activities of the Company, adequate internal controls have been established. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

## GOING CONCERN

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

## COMMUNICATIONS WITH SHAREHOLDERS

The Board attaches great importance to maintaining good relationships with its shareholders. Extensive information about the Company's activities is included in the annual and interim reports, which will be sent to all shareholders. Market sensitive information is regularly released to all shareholders concurrently in accordance with AIM rules. The annual general meeting will provide an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. Corporate website ([www.asian-citrus.com](http://www.asian-citrus.com)) where information on the Company will be regularly updated and all announcements will be posted.

The executives of the Company meet regularly with institutional investors, fund managers and analysts, as part of an active investor-relations program to discuss long-term issues and receive feedback.

## POST-BALANCE SHEET EVENTS

Details of significant post-balance sheet events are provided in Note 30 to the Consolidated Financial Statements.

# DIRECTORS' REPORT

## ANNUAL GENERAL MEETING

The notice of the Company's annual general meeting will be distributed to shareholders together with the Annual Report. Full details of the resolutions proposed at the meeting can be found in the Notice of Annual General Meeting on page 88.

## AUDITORS

Baker Tilly Hong Kong Limited and CCIF CPA Limited were appointed as joint auditors of Company for the past four years. Both of them will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Baker Tilly Hong Kong Limited as auditors and authorise the Board to fix the remuneration.

By order of the Board

**Tong Wang Chow**  
*Director*

15 September 2009

**Cheung Wai Sun**  
*Director*

15 September 2009

# REMUNERATION REPORT

Companies traded on AIM are not required to provide a formal remuneration report. Therefore this report is provided for information purposes only and to provide greater transparency on how Directors and senior executives are remunerated.

## COMPOSITION AND ROLE OF REMUNERATION COMMITTEE

The Board has established a Remuneration Committee, which consists of two Non-Executive Directors, Mr. Nicholas Smith, who chairs the committee, and Mr. Ma Chiu Cheung, Andrew.

The terms of reference for the remuneration committee provide that it reviews the scale and structure of the Executive Directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the Non-Executive Directors are to be set by the Board. No Director may participate in any meeting at which discussions or decisions regarding his own remuneration take place. The remuneration committee also administers the share option plan.

## FRAMEWORK AND POLICY ON REMUNERATION

The Group's remuneration policy provides competitive rewards for its Executive Directors and senior executives. The policy takes into account the Group's performance, the individual performance, and the prevailing remuneration packages of the markets in which the Group operates. The committee aims to attract, retain and motivate high caliber individuals with competitive remuneration packages.

The remuneration package provides a balance between fixed and variable rewards. Therefore, remuneration packages for Directors and senior executives normally include basic salary, discretionary bonuses, benefits and share options.

## BASIC SALARY AND BENEFITS

Salaries and benefits are reviewed annually and are set to reflect the responsibilities, knowledge, skill and experience of the individual.

# REMUNERATION REPORT

## CONTRACTS OF SERVICE

The following Executive Directors have entered into service agreements with the Company, details of which are set out below:

<b>Executive Director</b>	<b>Title</b>	<b>Date of service agreement</b>	<b>Remuneration per annum</b>
Mr. Tong Wang Chow	Chairman and Chief Executive Officer	1 July 2005	HK\$1,560,000
Mr. Tong Hung Wai, Tommy	Executive Director	1 July 2005	HK\$858,000
Mr. Cheung Wai Sun	Executive Director	1 July 2005	HK\$715,000
Mr. Pang Yi	Executive Director	1 July 2005	HK\$910,000
Mr. Sung Chi Keung	Finance Director	15 January 2007	HK\$1,040,000

The following Non-Executive Directors have entered into letters of appointment in connection with services to be provided to the Company, details of which are set out below:

<b>Non-Executive Director</b>	<b>Date of appointment letter</b>	<b>Term (years)</b>	<b>Fee per annum</b>
Mr. Ip Chi Ming	1 July 2005	3	HK\$600,000
Mr. Ma Chiu Cheung, Andrew	1 July 2005	3	GBP31,000
Dr. Lui Ming Wah, SBS JP	1 July 2005	3	HK\$240,000
Mr. Yang Zhen Han	1 July 2005	3	HK\$240,000
Mr. Nicholas Smith	1 July 2005	3	GBP31,000
Hon Peregrine Moncreiffe	1 February 2006	3	HK\$240,000

## EMOLUMENTS OF DIRECTORS

The emoluments of Directors serving during the year ended 30 June 2009 are disclosed below:

	<b>Salaries, bonus and benefits From 1 July 2008 to 30 June 2009 RMB'000</b>
<b>Executive Directors</b>	
Mr. Tong Wang Chow	1,948
Mr. Tong Hung Wai, Tommy	1,040
Mr. Cheung Wai Sun	847
Mr. Pang Yi	1,363
Mr. Sung Chi Keung	1,436
<b>Non-Executive Directors</b>	
Mr. Ip Chi Ming	540
Mr. Ma Chiu Cheung, Andrew	343
Dr. Lui Ming Wah, SBS JP	216
Mr. Yang Zhen Han	216
Mr. Nicholas Smith	343
Hon Peregrine Moncreiffe	216

## SHARE OPTION PLAN

The Company's Share Option Plan (the "Plan"), was approved by the Board on 27 July 2005 for the primary purpose of providing incentives to directors and eligible employees. The total number of shares in respect of which options may be granted under the Plan is not permitted to exceed 10% of the shares of the Company from time to time.

On 25 July 2005, 1,155,000 share options were granted to eligible employees at an exercise price of 112 pence. The options will normally vest and become exercisable annually at the rate of 10% over 10 years, subject to continued employment. No consideration was paid for the granting of the options. All options were issued upon the Company admitted to AIM on 3 August 2005. No consideration was paid for the granting of the options.

On 27 July 2006, 1,248,000 share options were granted and issued to eligible employees at an exercise price of 204.5 pence. The options will normally vest and become exercisable annually at the rate of 20% from 27 July 2007 onwards, subject to continued employment and the satisfaction of certain performance conditions. The options are exercisable from 27 July 2007 to 26 July 2014. No consideration was paid for the granting of the options.

On 14 September 2007, 353,000 share options were granted at an exercise price of 242.5 pence. The options will normally vest and become exercisable annually at the rate of 20% from 14 September 2008 onwards, subject to continued employment and the satisfaction of certain performance conditions. The options are exercisable from 14 September 2008 to 2 August 2015. No consideration was paid for the granting of the options.

On 15 October 2008, 2,561,000 share options were granted at an exercise price of 139 pence. The options will normally vest and become exercisable annually at the rate of 20% from 15 October 2009 onwards, subject to continued employment and the satisfaction of certain performance conditions. The options are exercisable from 15 October 2009 to 2 August 2015. No consideration was paid for the granting the options.

# REMUNERATION REPORT

Details of the movements of the outstanding share options granted under the Plan during the year ended 30 June 2009 are as follows:

Name or Category of participant	Number of Shares in respect of Options				Outstanding as at 30 June 2009	Date of grant	Exercisable period	Exercise price per share GBP	Weighted average closing price GBP
	Balance as at 1 July 2008	Granted during the year	Exercised during the year	Lapsed during the year					
<b>Directors</b>									
Tong Wang Chow	150,000	—	—	—	150,000	27/7/2006	27/7/2007 - 26/7/2014	2.045	—
	—	150,000	—	—	150,000	15/10/2008	15/10/2009 - 2/8/2015	1.39	—
Tong Hung Wai, Tommy	55,000	—	—	—	55,000	27/7/2006	27/7/2007 - 26/7/2014	2.045	—
	—	60,000	—	—	60,000	15/10/2008	15/10/2009 - 2/8/2015	1.39	—
Cheung Wai Sun	45,000	—	—	—	45,000	27/7/2006	27/7/2007 - 26/7/2014	2.045	—
	—	60,000	—	—	60,000	15/10/2008	15/10/2009 - 2/8/2015	1.39	—
Pang Yi	135,000	—	—	—	135,000	3/8/2005	3/8/2006 - 2/8/2015	1.12	—
	120,000	—	—	—	120,000	27/7/2006	27/7/2007 - 26/7/2014	2.045	—
	—	120,000	—	—	120,000	15/10/2008	15/10/2009 - 2/8/2015	1.39	—
Sung Chi Keung	108,000	—	—	—	108,000	3/8/2005	3/8/2006 - 2/8/2015	1.12	—
	100,000	—	—	—	100,000	27/7/2006	27/7/2007 - 26/7/2014	2.045	—
	—	120,000	—	—	120,000	15/10/2008	15/10/2009 - 2/8/2015	1.39	—

# REMUNERATION REPORT

Name or Category of participant	Number of Shares in respect of Options				Outstanding as at 30 June 2009	Date of grant	Exercisable period	Exercise price per share GBP	Weighted average closing price GBP
	Balance as at 1 July 2008	Granted during the year	Exercised during the year	Lapsed during the year					
<b>Employees:</b> In aggregate	708,000	—	—	—	708,000	3/8/2005	3/8/2006 - 2/8/2015	1.12	—
	743,800	—	—	—	743,800	27/7/2006	27/7/2007 - 26/7/2014	2.045	—
	353,000	—	—	—	353,000	14/9/2007	14/9/2008 - 2/8/2015	2.425	—
	—	2,051,000	—	—	2,051,000	15/10/2008	15/10/2009 - 2/8/2015	1.39	—
	<u>2,517,800</u>	<u>2,561,000</u>	<u>—</u>	<u>—</u>	<u>5,078,800</u>				

# REMUNERATION REPORT

Details of the movements of the outstanding share options granted under the Plan during the year ended 30 June 2008 are as follows:

Name or Category of participant	Balance as at 1 July 2007	Number of Shares in respect of Options			Outstanding as at 30 June 2008	Date of grant	Exercisable period	Exercise price per share GBP	Weighted average closing price GBP
		Granted during the year	Exercised during the year	Lapsed during the year					
<b>Directors</b>									
Tong Wang Chow	150,000	—	—	—	150,000	27/7/2006	27/7/2007 - 26/7/2014	2.045	—
Tong Hung Wai, Tommy	55,000	—	—	—	55,000	27/7/2006	27/7/2007 - 26/7/2014	2.045	—
Cheung Wai Sun	45,000	—	—	—	45,000	27/7/2006	27/7/2007 - 26/7/2014	2.045	—
Pang Yi	135,000	—	—	—	135,000	3/8/2005	3/8/2005 - 2/8/2015	1.12	—
	120,000	—	—	—	120,000	27/7/2006	27/7/2007 - 26/7/2014	2.045	—
Sung Chi Keung	108,000	—	—	—	108,000	3/8/2005	3/8/2006 - 2/8/2015	1.12	—
	100,000	—	—	—	100,000	27/7/2006	27/7/2007 - 26/7/2014	2.045	—
<b>Employees:</b>									
In aggregate	796,500	—	88,500	—	708,000	3/8/2005	3/8/2006 - 2/8/2015	1.12	2.795
	778,000	—	34,200	—	743,800	27/7/2006	27/7/2007 - 26/7/2014	2.045	3.350
	—	353,000	—	—	353,000	14/9/2007	14/9/2008 - 2/8/2015	2.425	—
	<u>2,287,500</u>	<u>353,000</u>	<u>122,700</u>	<u>—</u>	<u>2,517,800</u>				

The Remuneration Committee has approved the Remuneration Report.

By order of the Board

**Nicholas Smith**

*Chairman of the Remuneration Committee*

15 September 2009

# CORPORATE GOVERNANCE STATEMENT

Although the AIM rules do not require compliance with the Combined Code of Corporate Governance (the “Code”) issued by the London Stock Exchange, the Directors recognise the value of it and the principle of good governance. The Directors has taken measures to ensure that the Company complies with the Code to the extent they consider appropriate, taking into the nature and size of the Company and its business.

## BOARD COMPOSITION

The Board is comprised of five Executive Directors and six Non-Executive Directors. Each of the Executive Directors has a wealth of agricultural experience and the Non-Executive Directors have a wealth of experience in finance and corporate development. The Directors are satisfied that the composition of the Board meets the Code’s objective of ensuring checks and balances in the Company’s management. This includes the appointment of four independent Non-Executive Directors.

The Code recommends that the roles of chairman and chief executive be kept separate. The Directors are aware that, due to the composition of the Board, the Company is not in compliance with this aspect of the Code. They consider, however, that the composition of the Board is appropriate, given that the Chairman is a founder of the Company and that he is essential, at this stage of the Company’s development, to both its daily operations and its longer-term strategy.

## BOARD MEETINGS

During the year ended 30 June 2009, there were 6 Board Meetings held by the Company. The attendance records of the Director are shown on the table below:

<b>Director</b>	<b>Number of Board Meetings attended</b>	<b>Attendance rate</b>
Mr. Tong Wang Chow	6 out of 6	100%
Mr. Tong Hung Wai, Tommy	5 out of 6	83%
Mr. Cheung Wai Sun	2 out of 6	33%
Mr. Pang Yi	5 out of 6	83%
Mr. Sung Chi Keung	6 out of 6	100%
Mr. Ip Chi Ming	6 out of 6	100%
Mr. Ma Chiu Cheung, Andrew	6 out of 6	100%
Dr. Lui Ming Wah, SBS JP	5 out of 6	83%
Mr. Yang Zhen Han	6 out of 6	100%
Mr. Nicholas Smith	5 out of 6	83%
Hon Peregrine Moncreiffe	6 out of 6	100%

All Directors have access to the advice and services of the Company’s solicitors and the Company Secretary who is responsible for ensuring that all Board procedures are followed. Any Director may take independent professional advice at the Company’s expense in the furtherance of his duties.

# CORPORATE GOVERNANCE STATEMENT

## RETIREMENT BY ROTATION

In accordance with Bye-laws 93(1) and (2) of the Company's Bye-laws, at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation. The Directors to retire every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

This year, in accordance with the Company's Bye laws, Mr. Tong Hung Wai, Tommy, Mr. Cheung Wai Sun and Mr. Ip Chi Ming will retire at the forthcoming annual general meeting of the Company and all of them, being eligible, offer themselves for reelection.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with Companies Act 1981. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# CORPORATE GOVERNANCE STATEMENT

## COMMITTEES

The Board has established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities.

### Audit Committee

The committee is made up of two Non-Executive Directors: Mr. Ma Chiu Cheung, Andrew, who chairs the committee, and Mr. Nicholas Smith. The terms of reference for the audit committee provide that it receives and reviews reports from management and the auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Group. The terms of reference for the audit committee also provide for it to have unrestricted access to the auditors.

### Remuneration Committee

The composition and role of the Remuneration Committee are set out in the Remuneration Report on page 25.

### Nomination Committee

The Directors do not consider that, given the size of the Group and stage of its development, it is necessary to have a Nomination Committee; however, this will be kept under regular review by the Board.

## SHARE DEALING CODE

The Company continues to take all reasonable steps to ensure compliance by the Directors and applicable employees with the provisions of the AIM rules relating to dealings in securities of the Company. This has included adopting the Share Dealing Code at the time of the AIM Admission.

By order of the Board

**Tong Wang Chow**  
*Director*

15 September 2009

**Cheung Wai Sun**  
*Director*

15 September 2009

# INDEPENDENT AUDITORS' REPORT



**BAKER TILLY**

**HONG KONG LIMITED**

CERTIFIED PUBLIC ACCOUNTANTS

12/E, China Merchants Tower, Shun Tak Centre,  
168-200 Connaught Road Central, Hong Kong



**CCIF**

**CCIF CPA LIMITED**

20/F Sunning Plaza  
10 Hysan Avenue  
Causeway Bay Hong Kong

## **TO THE SHAREHOLDERS OF ASIAN CITRUS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have audited the accompanying financial statements of Asian Citrus Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 36 to 85, which comprise the consolidated and Company balance sheets as at 30 June 2009, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

# INDEPENDENT AUDITORS' REPORT

## AUDITORS' RESPONSIBILITY *(continued)*

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

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

## OPINION

In our opinion, the financial statements give a true and fair view of the financial positions of the Company and of the Group as of 30 June 2009, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 15 September 2009

Chan Kwan Ho, Edmond

Practising certificate number P02092

### **CCIF CPA Limited**

*Certified Public Accountants*

Hong Kong, 15 September 2009

Kwok Cheuk Yuen

Practising certificate number P02412

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	<i>Note</i>	<b>2009</b> <b>RMB'000</b>	2008 <i>RMB'000</i>
<b>Revenue</b>	6	<b>668,529</b>	533,775
Net gain on change in fair value of biological assets	16	<b>210,631</b>	165,000
Inventories used	8	<b>(222,917)</b>	(160,229)
Staff costs	8, 10	<b>(49,382)</b>	(37,612)
Amortisation	8	<b>(4,557)</b>	(3,450)
Depreciation	8	<b>(57,141)</b>	(48,415)
Other operating expenses	8	<b>(102,726)</b>	(85,938)
<b>Profit from operations</b>	8	<b>442,437</b>	363,131
Interest income		<b>2,105</b>	5,982
Finance costs		<b>(12)</b>	(13)
Net finance income		<b>2,093</b>	5,969
Share of loss of associates		<b>(368)</b>	(1,359)
Impairment loss on interests in associates	19	<b>(1,896)</b>	—
<b>Profit before income tax</b>		<b>442,266</b>	367,741
Income tax (expense)/credit	9	<b>(2,205)</b>	31,552
<b>Profit for the year attributable to shareholders</b>		<b>440,061</b>	399,293
Proposed final dividend	11	<b>61,645</b>	59,486
		<b>RMB</b>	<i>RMB</i>
<b>Earnings per share</b>	12		
- Basic		<b>5.81</b>	5.38
- Diluted		<b>5.81</b>	5.37

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2009

<b>ASSETS</b>	<i>Note</i>	<b>2009</b> <i>RMB'000</i>	<b>2008</b> <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>1,083,758</b>	999,155
Land use rights	14	<b>56,085</b>	48,101
Construction-in-progress	15	<b>79,021</b>	120,468
Biological assets	16	<b>1,142,025</b>	931,209
Deferred development costs	17	<b>30,700</b>	22,600
Interests in associates	19	—	2,216
		<u><b>2,391,589</b></u>	<u>2,123,749</u>
<b>Current assets</b>			
Biological assets	16	<b>54,638</b>	16,787
Properties for sale	20	<b>34,111</b>	54,305
Inventories	21	<b>639</b>	1,487
Trade and other receivables	22	<b>14,901</b>	19,897
Income tax recoverable	23(a)	—	1,073
Cash and cash equivalents	24	<b>461,241</b>	309,952
		<u><b>565,530</b></u>	<u>403,501</u>
<b>Total assets</b>		<u><b>2,957,119</b></u>	<u>2,527,250</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	25	<b>8,028</b>	7,785
Reserves		<b>2,897,295</b>	2,461,499
		<u><b>2,905,323</b></u>	<u>2,469,284</u>
<b>Current liabilities</b>			
Trade and other payables		<b>48,735</b>	56,166
Due to a related party	29(b)	<b>2,754</b>	1,800
Income tax payable	23(a)	<b>307</b>	—
		<u><b>51,796</b></u>	<u>57,966</u>
<b>Total equity and liabilities</b>		<u><b>2,957,119</b></u>	<u>2,527,250</u>

Approved and authorised to issue by the Board of Directors on 15 September 2009.

**Tong Wang Chow**  
Director

**Cheung Wai Sun**  
Director

The accompanying notes form an integral part of these financial statements.

# COMPANY BALANCE SHEET

AT 30 JUNE 2009

	<i>Note</i>	<b>2009</b> <i>RMB'000</i>	2008 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>2,397</b>	2,272
Interests in subsidiaries	18	<b>653,969</b>	459,985
		<u><b>656,366</b></u>	<u>462,257</u>
<b>Current assets</b>			
Deposits and prepayments		<b>2,781</b>	2
Cash and cash equivalents	24	<b>17,066</b>	38,326
		<u><b>19,847</b></u>	<u>38,328</u>
<b>Total assets</b>		<u><b>676,213</b></u>	<u>500,585</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	25	<b>8,028</b>	7,785
Reserves	26	<b>666,595</b>	490,399
		<u><b>674,623</b></u>	<u>498,184</u>
<b>Current liabilities</b>			
Other payables		<b>1,590</b>	2,401
<b>Total equity and liabilities</b>		<u><b>676,213</b></u>	<u>500,585</u>

Approved and authorised to issue by the Board of Directors on 15 September 2009.

**Tong Wang Chow**  
Director

**Cheung Wai Sun**  
Director

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

Note	Share capital RMB'000	Share premium RMB'000 (note (a))	Merger reserve RMB'000 (note (b))	Share option reserve RMB'000 (note (c))	Capital reserve RMB'000 (note (d))	Statutory reserve RMB'000 (note (e))	Retained profits RMB'000	Total RMB'000
At 1 July 2007	7,758	483,629	(4,473)	9,021	482,519	—	1,130,029	2,108,483
Total recognised income for the year								
- Profit for the year	—	—	—	—	—	—	399,293	399,293
Issue of shares upon exercise of share options	27	7,957	—	(2,928)	—	—	—	5,056
Share-based payments	—	—	—	6,906	—	—	—	6,906
2006/07 final dividend	—	—	—	—	—	—	(50,454)	(50,454)
	27	7,957	—	3,978	—	—	(50,454)	(38,492)
At 30 June 2008	7,785	491,586	(4,473)	12,999	482,519	—	1,478,868	2,469,284
Total recognised income for the year								
- Profit for the year	—	—	—	—	—	—	440,061	440,061
Issue of shares to shareholders participating in the scrip dividend	25(a) 243	46,267	—	—	—	—	—	46,510
Share-based payments	—	—	—	8,954	—	—	—	8,954
2007/08 final dividend	—	—	—	—	—	—	(59,486)	(59,486)
Appropriation to statutory reserve	—	—	—	—	—	40,327	(40,327)	—
	243	46,267	—	8,954	—	40,327	(99,813)	(4,022)
<b>At 30 June 2009</b>	<b>8,028</b>	<b>537,853</b>	<b>(4,473)</b>	<b>21,953</b>	<b>482,519</b>	<b>40,327</b>	<b>1,819,116</b>	<b>2,905,323</b>

*Notes:*

- The application of the share premium account is governed by the Companies Act of Bermuda.
- The merger reserve represents the excess of the value of the net assets of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange pursuant to the group reorganisation (the "Reorganisation") on 29 June 2005 in preparation for the admission of the Company's shares to AIM of the London Stock Exchange.
- The share option reserve represents the fair value of the unexercised share options recognised in accordance with the accounting policy adopted for share-based payments in note 3(q)(ii).
- The capital reserve represents amounts due to shareholders capitalised upon the Reorganisation.
- The statutory reserve represents the appropriation of 10% of profit after taxation (after offsetting prior year losses) determined based on the accounting standards and regulations of the People's Republic of China ("PRC") as required by the relevant PRC rules and regulations and the Articles of Association of the Company's PRC subsidiaries. The appropriation may cease to apply if the balance of the statutory reserve has reached 50% of that PRC subsidiary's registered capital.

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	<i>Note</i>	<b>2009</b> <b>RMB'000</b>	2008 <i>RMB'000</i>
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>442,266</b>	367,741
Adjustments for:			
Unrealised exchange loss		—	518
Interest income		<b>(2,105)</b>	(5,982)
Finance costs		<b>12</b>	13
Depreciation	8	<b>61,406</b>	50,240
Share-based payments	10	<b>8,954</b>	6,906
Amortisation of land use rights	8	<b>1,157</b>	1,050
Amortisation of deferred development costs	8	<b>3,400</b>	2,400
Net gain on change in fair value of biological assets	16	<b>(210,631)</b>	(165,000)
Loss on disposal of property, plant and equipment	8	<b>480</b>	—
Write off of biological assets	8	<b>42</b>	—
Share of loss of associates		<b>368</b>	1,359
Impairment loss on interests in associates		<b>1,896</b>	—
		<hr/>	<hr/>
Operating profit before working capital changes		<b>307,245</b>	259,245
Movements in working capital elements:			
Properties for sale		<b>20,194</b>	(10,215)
Inventories		<b>848</b>	86
Biological assets		<b>(37,851)</b>	(9,099)
Trade and other receivables		<b>(4,145)</b>	(5,573)
Trade and other payables		<b>(7,431)</b>	37,421
Due to a related party		<b>954</b>	(810)
		<hr/>	<hr/>
<b>Cash generated from operations</b>		<b>279,814</b>	271,055
Income tax paid		<b>(825)</b>	(42,714)
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<b>278,989</b>	228,341
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(8,596)</b>	(3,775)
Proceeds from disposal of property, plant and equipment		<b>594</b>	—
Additions to construction-in-progress		<b>(97,040)</b>	(206,981)
Net addition to biological assets		<b>(227)</b>	(698)
Additions to deferred development costs		<b>(11,500)</b>	(13,000)
Interest received		<b>2,105</b>	5,982
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<b>(114,664)</b>	(218,472)
		<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	<i>Note</i>	<b>2009</b> <b>RMB'000</b>	2008 <i>RMB'000</i>
<b>Cash flows from financing activities</b>			
(Advance to)/repayment from an associate		<b>(48)</b>	981
Proceeds from issue of new shares upon exercise of share options		—	5,056
Dividend paid		<b>(12,976)</b>	(50,454)
Finance costs paid		<b>(12)</b>	(13)
<b>Net cash used in financing activities</b>		<b>(13,036)</b>	(44,430)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>151,289</b>	(34,561)
<b>Cash and cash equivalents at beginning of year</b>		<b>309,952</b>	344,513
<b>Cash and cash equivalents at end of year</b>	24	<b>461,241</b>	309,952
<b>Non-cash transactions</b>			

During the year ended 30 June 2009, additions to land use rights of RMB9,141,000 were credited to trade and other receivables as the consideration has been paid in the prior year.

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Asian Citrus Holdings Limited (the “Company”) was incorporated in Bermuda on 4 June 2003 as an exempted company with limited liability under the Companies Act of Bermuda and its shares were admitted to trading on AIM of the London Stock Exchange on 3 August 2005. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton, Bermuda HM11. The address of its principal place of business is Rooms 1109-1112, Wayson Commercial Building, 28 Connaught Road West, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are planting, cultivation and sales of agricultural produce, and developing and sales of properties in an agricultural wholesale market and orange processing centre.

At 30 June 2009, the directors of the Company (the “Directors”) regard Tong Wang Chow and his family through its direct shareholding in Market Ahead Investments Limited, a company incorporated in the British Virgin Islands (“BVI”), as being the ultimate controlling party of the Company.

## 2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Group rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which comprise International Financial Reporting Standards, International Accounting Standards (“IAS”) and Interpretations (“IFRIC”), issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee, and the AIM Rules issued by the London Stock Exchange.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of biological assets which are carried at their fair values.

### **IFRSs issued but not yet effective**

Up to the date of issue of these financial statements, the IASB has issued a number of IFRSs which are not yet effective for the year ended 30 June 2009 and which have not been adopted in these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE *(continued)*

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

	Note	
Amendment to IFRSs	(b), (c)	Improvements to IFRSs
IAS 1 (Revised)	(a), (c)	Presentation of financial statements
Amendment to IAS 7	(c)	Statement of cash flows
Amendment to IAS 16	(a)	Property, plant and equipment
Amendment to IAS 17	(c)	Leases
Amendment to IAS 19	(a)	Employee benefits
Amendment to IAS 27	(a), (b)	Consolidated and separate financial statements
Amendment to IAS 28	(a), (b)	Investments in associates
Amendment to IAS 32	(a)	Financial instruments: Presentation
Amendment to IAS 36	(a), (c)	Impairment of assets
Amendment to IAS 38	(a), (b)	Intangible assets
Amendment to IAS 39	(a), (b), (c)	Financial Instruments: Recognition and measurement
Amendment to IAS 41	(a)	Agriculture
Amendment to IFRS 2	(a), (b), (c)	Share-based payment
IFRS 3 (Revised)	(b)	Business combinations
Amendment to IFRS 5	(b), (c)	Non-current assets held for sale and discontinued operations
IFRS 7 (Revised)	(a)	Financial instruments: Disclosures
IFRS 8	(a), (c)	Operating segments
IFRIC 15	(a)	Agreements for the construction of real estate

### *Notes:*

- a) effective for annual periods beginning on or after 1 January 2009
- b) effective for annual periods beginning on or after 1 July 2009
- c) effective for annual periods beginning on or after 1 January 2010

The Directors anticipate that the application of these IFRSs will have no material impact on the results and financial position of the Group.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES

### a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June each year. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intra-group transactions, balances and unrealised profits on transactions between group entities are eliminated.

In the Company's balance sheet, investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### b) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

An investment in an associate is accounted for in the financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 3(k)(ii)).

Depreciation of property, plant and equipment is calculated, using the straight-line basis, to write off the cost of each asset less residual value over its estimated useful life on the following principal annual rates:

Buildings	2.22% to 3.57%
Leasehold improvements	3.33%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Farmland infrastructure and machinery	2% to 20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when the cost of the item can be measured reliably and it is probable that future economic benefits will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

### d) Land use rights

The up-front payments made for the land use rights are amortised to the income statement using the straight-line basis over the terms of the leases.

### e) Construction-in-progress

Construction-in-progress is stated at cost less impairment losses (see note 3(k)(ii)), which represents infrastructure and land improvements under construction. The cost of completed construction work is transferred to the appropriate category of property, plant and equipment. Depreciation commences when the relevant assets are available for use.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### f) Biological assets

A biological asset is defined as a living plant managed by an enterprise which is involved in the agricultural activity of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

The fair values of orange tree biological assets are based on the present value of expected net cash flows from the orange trees discounted at a current market-determined pre-tax rate (the "Valuation Methodology").

Infant trees and immature seedlings purchased from the open market which are to undergo the process of transformation until they become mature and productive are also stated at fair value less estimated point-of-sale costs. The fair values are based on market-determined prices of infant trees and immature seedlings with similar size, species and age or alternative estimates of fair values. Management reviews the progress of infant trees and immature seedlings on an ongoing basis and should these be deemed to be unsuitable for further cultivation, full provision for impairment loss is made at that time.

In the absence of an active open market, self-bred saplings are stated at cost at the balance sheet date and will be transferred to the category of infant trees upon planting at their carrying value.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs is recognised in the income statement.

Agricultural produce harvested from the Group's biological assets is transferred to inventories at its deemed costs at its fair value less estimated point-of-sale costs. The fair value of agricultural produce is based on market prices of agricultural produce of similar size and weight or alternative estimates of fair value.

Biological assets that are expected to be realised in the next harvest within twelve months have been disclosed under current assets.

### g) Properties for sale

Properties under development for sale are stated at cost less impairment losses (see note 3(k)(ii)). Costs include costs of land use rights, construction costs and other direct costs attributable to such properties. On completion, the properties are reclassified to completed properties for sale at the carrying amount.

Completed properties for sale are stated at the lower of cost and net realisable value. Costs include costs of land use rights, construction costs and other direct costs attributable to such properties. Net realisable value is determined by reference to sales proceeds received after the balance sheet date less selling expenses, or by estimates based on prevailing market condition.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### h) Inventories

Inventories comprising agricultural materials, consumables and packaging materials are stated at the lower of cost and net realisable value and are calculated on the first-in, first-out basis. Net realisable value is based on anticipated sales proceeds less estimated selling expenses.

### i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 3(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

### j) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would not be material, in which case they are stated at cost.

### k) Impairment

#### i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

#### ii) Non-financial assets

The carrying amounts of the non-financial assets, other than inventories (see note 3(h)) and deferred tax assets (see note 3(r)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### k) Impairment *(continued)*

#### ii) Non-financial assets *(continued)*

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### l) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

### m) Revenue recognition

Sales of agricultural products, including oranges and self-bred saplings, is measured at fair value of the consideration received or receivable, net of returns on allowance, trade discounts and volume rebate and is recognised on the transfer of ownership, which coincides with the time of delivery of the agricultural products.

Sales of properties is recognised upon the execution of a binding sale agreement or upon the issue of a real estate title certificate by the relevant government authorities, whichever is the later, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are carried in the balance sheet under trade and other payables.

Interest income is recognised as it accrues using the effective interest method.

### n) Operating leases

Leases of assets, including cultivation bases, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments are expensed in the income statement on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **o) Research and development costs**

Research costs are charged to the income statement in the year in which they are incurred. Development costs are expensed as incurred, except where a specific project is undertaken where the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that the development costs are recoverable from related future economic benefits. Such development costs are recognised as deferred development costs in the balance sheet and amortised, once the development project is completed, on a straight-line basis over a period of five years to reflect the pattern in which the related economic benefits are recognised. Deferred development costs are stated at cost less accumulated amortisation and impairment losses (see note 3(k)(ii)).

### **p) Translation of foreign currencies**

Transactions in foreign currencies are translated into RMB using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated into RMB at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

### **q) Employee benefits**

#### **i) Short-term employee benefits and contributions to defined contributions retirement plans**

Salaries, wages, annual bonuses, paid annual leave and contributions to defined contributions retirement plans are accrued in the year in which the associated services are rendered by employees of the Group.

#### **ii) Share-based payments**

The Company operates an equity-settled, share-based compensation plan. The cost of share options is charged to the income statement and the corresponding amount is recognised in the share option reserve under equity. Where the employees or directors are required to meet vesting conditions before they become entitled to the share options or shares, the Company recognises the fair value, determined at the grant date, of the share options or shares granted as an expense on a straight-line basis over the vesting period. If the employees or directors choose to exercise share options, the respective amount in the share option reserve is transferred to share capital and share premium, together with exercise price, net of any directly attributable transaction costs. At each balance sheet date, the Company revises its estimates of the number of share options expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement with a corresponding adjustment to the share option reserve over the remaining vesting period.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### r) Taxation

Income tax in the income statement comprises current and deferred tax.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### t) Related parties

A party is considered to be related to the Group if:

- i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- ii) the Group and the party are subject to common control;
- iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of an entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

### u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 KEY SOURCES OF ESTIMATION UNCERTAINTY

Management had made the following estimates and assumptions in the process of applying the Group's accounting policies, which are described in note 3, that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities as discussed below.

### *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

### *Fair values of biological assets*

Management estimates the current market prices less estimated point-of-sale costs of biological assets at the balance sheet date with reference to market prices and professional valuations. Management considers that there is presently an absence of effective financial instruments for hedging against the pricing risks with the underlying agricultural produce. Unexpected volatility in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement changes in future accounting periods.

The Group's business is subject to the usual agricultural hazards from fire, wind, insects and other natural disasters. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place. Nevertheless, unexpected factors affecting harvestable agricultural produce may result in re-measurement or harvest changes in future accounting periods.

## 5 FINANCIAL RISK MANAGEMENT

Save as disclosed elsewhere in the financial statements, the Group's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and interest rate risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### a) Categories of financial instruments

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Loans and receivables (including cash and cash equivalents)	<u>476,142</u>	<u>334,515</u>	<u>690,231</u>	<u>520,246</u>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	<u>(51,489)</u>	<u>(57,966)</u>	<u>(32,806)</u>	<u>(33,473)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 5 FINANCIAL RISK MANAGEMENT (continued)

### b) Currency risk

The Group is exposed to currency risk primarily through its cash and cash equivalents that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars (“HKD”), United States dollars (“USD”) and British pounds (“GBP”).

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. Management manages its currency risk by closely monitoring the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the need arise.

#### (i) Exposure to currency risk

The following table details the Group’s and the Company’s exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

#### Group

	Assets		Liabilities	
	2009	2008	2009	2008
	RMB’000	RMB’000	RMB’000	RMB’000
HKD	68,637	125,684	962	1,694
USD	541	45	—	351
GBP	3,746	6,460	629	645

#### Company

	Assets		Liabilities	
	2009	2008	2009	2008
	RMB’000	RMB’000	RMB’000	RMB’000
HKD	685,945	413,743	962	1,406
USD	539	43	—	351
GBP	3,746	6,460	629	645

# NOTES TO THE FINANCIAL STATEMENTS

## 5 FINANCIAL RISK MANAGEMENT (continued)

### b) Currency risk (continued)

#### (ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after income tax (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

#### Group

	Increase/ (decrease) in foreign exchange rates	2009	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	2008	Effect on other components of equity RMB'000
		Effect on profit after income tax and retained profits RMB'000			Effect on profit after income tax and retained profits RMB'000	
HKD	10% (10%)	6,767 (6,767)	— —	10% (10%)	12,398 (12,398)	— —
GBP	10% (10%)	312 (312)	— —	10% (10%)	582 (582)	— —

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities' exposure to currency risk for the financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit after income tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the balance sheet date for presentation purpose. The analysis is performed on the same basis for 2008.

# NOTES TO THE FINANCIAL STATEMENTS

## 5 FINANCIAL RISK MANAGEMENT *(continued)*

### c) Credit risk

The Group's maximum exposure to credit risk is the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

The credit risk on cash and cash equivalents is limited because the counterparties are major banks located in the PRC and Hong Kong, which management believes are of high credit quality.

In order to minimise the credit risk on trade receivables, the Group has policies in place to ensure that sales are made to customers with appropriate credit history or in cash. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

### d) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and development and to mitigate the effect of fluctuations in cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

## 5 FINANCIAL RISK MANAGEMENT (continued)

### d) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

#### Group

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
<b>2009</b>						
Trade and other payables	48,735	48,735	47,885	100	—	750
Due to a related party	2,754	2,754	2,754	—	—	—
<b>Total</b>	<b>51,489</b>	<b>51,489</b>	<b>50,639</b>	<b>100</b>	<b>—</b>	<b>750</b>
<b>2008</b>						
Trade and other payables	56,166	56,166	55,316	—	100	750
Due to a related party	1,800	1,800	1,800	—	—	—
<b>Total</b>	<b>57,966</b>	<b>57,966</b>	<b>57,116</b>	<b>—</b>	<b>100</b>	<b>750</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 5 FINANCIAL RISK MANAGEMENT *(continued)*

### d) Liquidity risk *(continued)*

#### Company

	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flow <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>
2009			
Other payables	1,590	1,590	1,590
Due to a subsidiary	31,216	31,216	31,216
	<u>32,806</u>	<u>32,806</u>	<u>32,806</u>
		Total	Less
	Carrying	contractual	than
2008	amount	undiscounted	1 year
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables	2,401	2,401	2,401
Due to a subsidiary	31,072	31,072	31,072
	<u>33,473</u>	<u>33,473</u>	<u>33,473</u>

### e) Interest rate risk

Except for short-term bank deposits, the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Management monitors interest rate exposure on a dynamic basis and considers hedging significant interest rate exposure should the need arise.

### f) Fair value

The carrying amounts of the financial assets and financial liabilities as reflected in the balance sheets approximate their respective fair values.

# NOTES TO THE FINANCIAL STATEMENTS

## 6 REVENUE

Revenue recognised during the year is as follows:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Sales of oranges	<b>634,945</b>	526,980
Sales of properties	<b>31,338</b>	6,795
Sales of self-bred saplings	<b>2,246</b>	—
	<b><u>668,529</u></b>	<b><u>533,775</u></b>

## 7 SEGMENT INFORMATION

### a) Business segments

No business segment information for the Group is presented as over 90% of the Group's revenue, expenses, assets, liabilities and capital expenditure are attributable to planting, cultivation and sales of agricultural produce.

### b) Geographical segments

No geographical segment information for the Group is presented as over 90% of the Group's revenue and assets are derived from customers and operations based in the PRC.

# NOTES TO THE FINANCIAL STATEMENTS

## 8 PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting) the following:

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Inventories used		
– production	164,000	117,273
– general and administrative	58,917	42,956
	<u>222,917</u>	<u>160,229</u>
Staff costs		
– production	25,568	17,158
– selling and distribution	1,163	1,069
– general and administrative	22,651	19,385
	<u>49,382</u>	<u>37,612</u>
Amortisation		
– general and administrative	4,557	3,450
Depreciation		
– production	38,804	27,013
– general and administrative	18,337	21,402
	<u>57,141</u>	<u>48,415</u>
Other operating expenses		
– production	30,933	13,283
– selling and distribution	38,724	34,423
– general and administrative	33,069	38,232
	<u>102,726</u>	<u>85,938</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 8 PROFIT FROM OPERATIONS *(continued)*

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Of which:		
Amortisation of land use rights	1,157	1,050
Amortisation of deferred development costs	3,400	2,400
Auditors' remuneration	1,450	1,459
Cost of agricultural products sold	235,601	169,251
Cost of properties sold	23,704	5,476
Depreciation of property, plant and equipment	61,406	50,240
Add: Realisation of depreciation previously capitalised as biological assets	3,756	1,931
Less: Amount capitalised as biological assets	(8,021)	(3,756)
	57,141	48,415
Exchange loss, net	747	15,147
Loss on disposal of property, plant and equipment	480	—
Operating lease expenses		
– plantation base	6,222	6,300
– office premises	967	827
Research and development costs	6,198	4,558
Write off of biological assets	42	—
	57,141	48,415

## 9 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
PRC enterprise income tax ("EIT") (note (a))		
– Provision for the year	1,403	11,164
Land appreciation tax ("LAT") (note (b))		
– Provision for the year	802	171
Deferred taxation (notes (a) and 23)		
– Reversal of temporary differences	—	(42,887)
	2,205	(31,552)

# NOTES TO THE FINANCIAL STATEMENTS

## 9 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

### a) EIT

Before the enactment of the PRC Enterprise Income Tax Law (the “New Tax Law”), Lucky Team Biotech Development (Hepu) Limited (“Lucky Team (Hepu)”) was subject to a preferential EIT rate of 15% up to 31 December 2007.

Litian Biological Sciences & Technology Development (Xinfeng) Company Limited (“Litian (Xinfeng)”) was subject to an EIT rate of 33% before the enactment of the New Tax Law, and was eligible to be granted a preferential tax treatment. It would be exempt from EIT for the two years starting from its first assessable profit-making year and thereafter is entitled to a 50% relief from EIT for the following three years. No provision for EIT was required since Litian (Xinfeng) had no assessable profit before 31 December 2007.

Lucky Team Industrial (Ganzhou) Company Limited (“Lucky Team (Ganzhou)”) was subject to an EIT rate of 33% up to 31 December 2007.

Pursuant to the New Tax Law passed by the Tenth National People’s Congress on 16 March 2007, the new PRC income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. As a result, the PRC subsidiaries of the Group, except for Lucky Team (Hepu), Litian (Xinfeng) and Lucky Team (Hepu) Agriculture Development Limited (“Lucky Team Agriculture”), are subject to an EIT rate of 25% from 1 January 2008 onwards.

The New Tax Law came into effect on 1 January 2008 and the Foreign Enterprise Income Tax Law and its Implementation Rules were repealed. According to Article 27 of the New Tax Law and Article 86(1) of the New Tax Law Implementation Rules, enterprises engaging in certain agricultural activities, including growing of fruits and selection and cultivation of new agricultural species, are exempt from EIT. Accordingly, Lucky Team (Hepu), Litian (Xinfeng) and Lucky Team Agriculture are exempt from EIT with effect from 1 January 2008. The deferred tax assets and liabilities previously provided for by these subsidiaries were therefore reversed and recognised as a tax credit in the consolidated income statement for the year ended 30 June 2008.

### b) LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenses including costs for land use rights and all property development expenses.

### c) Hong Kong profits tax

No Hong Kong profits tax has been provided (2008: RMBNil) as the Group had no assessable profit arising in or derived from Hong Kong during the year.

# NOTES TO THE FINANCIAL STATEMENTS

## 9 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

### d) PRC withholding income tax

Pursuant to the New Tax Law Implementation Rules, overseas investor to the foreign investment companies shall be liable for withholding income tax at 10% on the dividend derived from the profits of the PRC subsidiaries with effect from 1 January 2008 (the “post-2008 profits”). In addition, pursuant to the grandfathering arrangement, dividends received by the overseas investor from its PRC subsidiaries in respect of the undistributed profits derived prior to 31 December 2007 are exempt from the withholding income tax. As at 30 June 2009, no deferred tax liability has been accrued for taxes that would be payable on the unremitted profits of the PRC subsidiaries’ post-2008 profits as no dividend is expected to be declared from the PRC subsidiaries’ post-2008 profits in the foreseeable future (2008: RMBNil).

### e) The actual tax expense/(credit) can be reconciled to the profit before income tax in the consolidated income statement as follows:

	Group	
	2009	2008
	<i>RMB’000</i>	<i>RMB’000</i>
Profit before income tax	<b>442,266</b>	367,741
Notional tax at the rates applicable to the PRC operations	<b>117,395</b>	55,161
Tax effect of non-deductible expenses	<b>233</b>	19,414
Tax effect of profit not subject to income tax	<b>(118,858)</b>	(64,624)
Tax effect of temporary differences not recognised for deferred tax purposes	<b>2,482</b>	873
LAT	<b>802</b>	171
Reversal of deferred tax assets and liabilities recognised due to imposition of the New Tax Law	—	(42,887)
Others	<b>151</b>	340
Actual tax expense/(credit)	<b>2,205</b>	(31,552)

# NOTES TO THE FINANCIAL STATEMENTS

## 10 EMPLOYEES AND DIRECTORS

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	39,993	30,412
Share-based payments	8,954	6,906
Employee retirement benefits	435	294
	<b>49,382</b>	<b>37,612</b>

	Group	
	2009	2008
Average monthly number of people (including directors) employed:		
– production	842	864
– selling and distribution	70	70
– general and administrative	162	142
	<b>1,074</b>	<b>1,076</b>

	Directors' fees	Salaries, allowances and benefits in kind	Share-based payments	Retirement scheme contribution	Group	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2009	2008
					<i>RMB'000</i>	<i>RMB'000</i>
<b>Directors' emoluments</b>						
<b>Executive Directors</b>						
Tong Wang Chow	—	1,404	544	—	1,948	1,769
Tong Hung Wai	—	820	209	11	1,040	925
Cheung Wai Sun	—	644	192	11	847	770
Pang Yi	—	819	544	—	1,363	1,256
Sung Chi Keung	—	936	489	11	1,436	1,284
<b>Non-executive Directors</b>						
Ip Chi Ming	540	—	—	—	540	540
Ma Chiu Cheung	343	—	—	—	343	433
Lui Ming Wah	216	—	—	—	216	216
Yang Zhen Han	216	—	—	—	216	216
Nicholas Smith	343	—	—	—	343	433
Peregrine Moncreiffe	216	—	—	—	216	216
	<b>1,874</b>	<b>4,623</b>	<b>1,978</b>	<b>33</b>	<b>8,508</b>	<b>8,058</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 11 PROPOSED FINAL DIVIDEND

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB0.80 (2008: RMB0.80) per ordinary share	<u>61,645</u>	<u>59,486</u>

The proposed final dividend is not recognised as a liability as at 30 June 2009 as it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 12 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to shareholders used in basic and diluted earnings per share calculation	<u>440,061</u>	<u>399,293</u>
<b>Weighted average number of shares</b>	<i>'000</i>	<i>'000</i>
Issued ordinary shares at beginning of year	74,357	74,084
Effect of shares issued to shareholders participating in the scrip dividend	1,346	—
Effect of shares issued upon exercise of share options	<u>—</u>	<u>110</u>
Weighted average number of ordinary shares used in basic earnings per share calculation	75,703	74,194
Effect of dilutive potential shares in respect of share options	<u>57</u>	<u>209</u>
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u>75,760</u>	<u>74,403</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 13 PROPERTY, PLANT AND EQUIPMENT

### Group

	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Farmland infrastructure and machinery <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>						
At 1 July 2007	10,101	3,062	3,063	3,094	886,621	905,941
Additions	—	—	310	2,748	717	3,775
Transfer from construction-in-progress (note 15)	—	—	15	—	237,425	237,440
Transfer to properties for sale	—	—	—	—	(4,619)	(4,619)
<b>At 30 June 2008</b>	<b>10,101</b>	<b>3,062</b>	<b>3,388</b>	<b>5,842</b>	<b>1,120,144</b>	<b>1,142,537</b>
Additions	24	—	228	1,541	6,803	8,596
Transfer from construction-in-progress (note 15)	4,061	—	33	—	134,393	138,487
Disposals	—	—	—	(1,373)	—	(1,373)
<b>At 30 June 2009</b>	<b>14,186</b>	<b>3,062</b>	<b>3,649</b>	<b>6,010</b>	<b>1,261,340</b>	<b>1,288,247</b>
<b>Accumulated depreciation</b>						
At 1 July 2007	1,433	344	857	1,239	89,577	93,450
Charge for the year	291	174	430	410	48,935	50,240
Transfer to properties for sale	—	—	—	—	(308)	(308)
<b>At 30 June 2008</b>	<b>1,724</b>	<b>518</b>	<b>1,287</b>	<b>1,649</b>	<b>138,204</b>	<b>143,382</b>
Charge for the year	421	147	446	558	59,834	61,406
Written back on disposals	—	—	—	(299)	—	(299)
<b>At 30 June 2009</b>	<b>2,145</b>	<b>665</b>	<b>1,733</b>	<b>1,908</b>	<b>198,038</b>	<b>204,489</b>
<b>Carrying amount</b>						
<b>At 30 June 2009</b>	<b>12,041</b>	<b>2,397</b>	<b>1,916</b>	<b>4,102</b>	<b>1,063,302</b>	<b>1,083,758</b>
At 30 June 2008	8,377	2,544	2,101	4,193	981,940	999,155

# NOTES TO THE FINANCIAL STATEMENTS

## 13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

### Company

	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>			
At 1 July 2007	1,443	1,373	2,816
Additions	5	—	5
At 30 June 2008	1,448	1,373	2,821
Additions	—	1,456	1,456
Disposals	—	(1,373)	(1,373)
<b>At 30 June 2009</b>	<b>1,448</b>	<b>1,456</b>	<b>2,904</b>
<b>Accumulated depreciation</b>			
At 1 July 2007	184	121	305
Charge for the year	125	119	244
At 30 June 2008	309	240	549
Charge for the year	125	132	257
Written back on disposals	—	(299)	(299)
<b>At 30 June 2009</b>	<b>434</b>	<b>73</b>	<b>507</b>
<b>Carrying amount</b>			
<b>At 30 June 2009</b>	<b>1,014</b>	<b>1,383</b>	<b>2,397</b>
At 30 June 2008	1,139	1,133	2,272

# NOTES TO THE FINANCIAL STATEMENTS

## 14 LAND USE RIGHTS

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cost</b>		
At beginning of year	52,512	37,204
Additions	9,141	—
Transfer from properties for sale	—	15,308
	<u>61,653</u>	<u>52,512</u>
<b>Accumulated amortisation</b>		
At beginning of year	4,411	2,354
Charge for the year	1,157	1,050
Transfer from properties for sale	—	1,007
	<u>5,568</u>	<u>4,411</u>
<b>Carrying amount</b>	<u><u>56,085</u></u>	<u><u>48,101</u></u>

Land use rights represent the rights to use certain pieces of land which are located in the PRC, and are valid for a period of 50 years expiring in the years 2053 to 2056.

## 15 CONSTRUCTION-IN-PROGRESS

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	120,468	150,927
Additions	97,040	206,981
Transfer to property, plant and equipment (note 13)	(138,487)	(237,440)
	<u>79,021</u>	<u>120,468</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 16 BIOLOGICAL ASSETS

Biological assets represent orange trees, infant trees and self-bred saplings. The role of orange trees is to supply oranges through the processes of growth in each production cycle. The infant trees and self-bred saplings are held for transforming into orange trees. The biological assets can be summarised as follows:

### Group

	Self-bred saplings <i>RMB'000</i>	Infant trees <i>RMB'000</i>	Orange trees <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 July 2007	142	12,369	760,688	773,199
Additions	698	—	—	698
Net increase due to cultivation	—	—	9,099	9,099
Net change in fair value				
– Gain due to price, yield, maturity and cost changes	—	—	210,200	210,200
– Decrease due to replanting programme	—	—	(45,200)	(45,200)
	—	—	165,000	165,000
At 30 June 2008	840	12,369	934,787	947,996
Additions	789	—	—	789
Sales of self-bred saplings	(562)	—	—	(562)
Intra transfer to infant trees	(203)	203	—	—
Intra transfer to orange trees	—	(4,369)	4,369	—
Written off	(42)	—	—	(42)
Net increase due to cultivation	—	—	37,851	37,851
Net change in fair value				
– Gain due to price, yield, maturity and cost changes	—	—	274,197	274,197
– Decrease due to replanting programme	—	—	(63,566)	(63,566)
	—	—	210,631	210,631
<b>At 30 June 2009</b>	<b>822</b>	<b>8,203</b>	<b>1,187,638</b>	<b>1,196,663</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 16 BIOLOGICAL ASSETS (continued)

Represented by:

	Self-bred saplings <i>RMB'000</i>	Infant trees <i>RMB'000</i>	Orange trees <i>RMB'000</i>	<b>2009 Total <i>RMB'000</i></b>	2008 Total <i>RMB'000</i>
Non-current	822	8,203	1,133,000	<b>1,142,025</b>	931,209
Current	—	—	54,638	<b>54,638</b>	16,787
	<u>822</u>	<u>8,203</u>	<u>1,187,638</u>	<u><b>1,196,663</b></u>	<u>947,996</u>

The movements in biological assets can be summarised as follows:

	<b>Self-bred saplings <i>Number</i></b>	<b>Infant trees <i>Number</i></b>	<b>Orange trees <i>Number</i></b>
At 1 July 2007	203,515	1,301,262	1,590,867
Additions	120,013	76,135	—
Decrease due to replanting programme	—	—	(76,135)
At 30 June 2008	323,528	1,377,397	1,514,732
Additions	448,332	—	—
Sales of self-bred saplings	(224,600)	—	—
Intra transfer to infant trees	(81,261)	81,261	—
Intra transfer to orange trees	—	(446,077)	446,077
Written off	(16,698)	—	—
Decrease due to replanting programme	—	—	(81,261)
<b>At 30 June 2009</b>	<u><b>449,301</b></u>	<u><b>1,012,581</b></u>	<u><b>1,879,548</b></u>

The replanting programme replaces existing species with more advanced and better quality species that have greater resistance to disease and produce a higher yield. During the year, 81,261 winter orange trees (2008: 76,135 summer orange trees) were removed and the corresponding land area was replanted with the same amount of new species.

The Valuation Methodology used to determine the fair value less estimated point-of-sale costs of orange trees is in compliance with both IAS 41, Agriculture, and the International Valuation Standards issued by the International Valuation Standards Council which aims to determine the fair value of a biological asset in its present location and condition.

The infant trees and self-bred saplings are still undergoing biological transformation leading to them being able to produce oranges. Once the infant trees and self-bred saplings become mature and productive, they will be transferred to the category of orange trees.

# NOTES TO THE FINANCIAL STATEMENTS

## 16 BIOLOGICAL ASSETS *(continued)*

The fair value less estimated point-of-sale costs of orange trees is calculated by deducting the value of machinery and equipment and other assets from the market value of the orange tree operations. In doing so, the following major assumptions in using the Valuation Methodology were made:

- a) The market price variables represent the assumed market price for the summer oranges and winter oranges produced by the Group. The valuation adopted the market sales prices prevailing as of the relevant balance sheet date for each type of oranges produced by the Group as the sales price estimation. Such estimation is based on real terms without considering inflationary effect and planned future business activity that may impact the future prices of oranges from the Group's plantations.
- b) The yield per tree variables represent the harvest level of the orange trees. The yield of orange trees is affected by the age, species and health of the orange trees, as well as the climate, location, soil condition, topography and infrastructure. In general, yield per tree increases from age 3 to 8, remains stable for about 22 years, and then decreases until age 35.
- c) The direct production cost variables represent the direct costs necessary to bring the oranges to their sales form, which mainly include raw material costs, and direct labour costs. The direct production cost variables are determined by reference to actual costs incurred for areas that have been previously harvested and cost information for comparable areas with regards to areas that have not been harvested previously.
- d) The Capital Asset Pricing Model has been used to determine a discount rate of 20.1% (2008: 18.7%) to be applied to the orange tree operations.
- e) Other key assumptions which have taken into account in valuing the Group's biological assets includes, among other things,
  - i) Cash flows are calculated from the current rotation of orange trees only, without taking into account the projected revenue or costs related to the re-establishment of new orange trees;
  - ii) Projected cash flows have not taken into account finance costs and taxation and were adopted based on real terms without considering inflationary effect;
  - iii) As discounted cash flows are based on current orange prices, the planned future business activity that may impact the future prices of oranges harvested from the Group's plantations are not considered; and
  - iv) No allowance is made for cost improvements in future operations.

The land currently occupied by the Group is leased from third parties, and has no commercial value. With reference to the value of machinery and equipment and other assets (represented by improvements in the structures and buildings, wind breakers, etc.), the total values of the assets involved as at 30 June 2009 for Hepu plantation and Xinfeng plantation are approximately RMB316 million (2008: RMB262 million) and RMB242 million (2008: RMB112 million) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## 16 BIOLOGICAL ASSETS (continued)

The quantity and amount of agricultural produce harvested measured at fair value less estimated point-of-sale costs during the year were as follows:

	2009		2008	
	Quantity Tonnes	Amount RMB'000	Quantity Tonnes	Amount RMB'000
Oranges	<u>152,059</u>	<u>622,634</u>	<u>130,308</u>	<u>515,149</u>

The Group is exposed to a number of risks related to its orange plantations:

1) Regulatory and environmental risks

The Group is subject to laws and regulations in the jurisdiction in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

2) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of oranges. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

3) Climate and other risks

The Group's orange plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The Group also insures itself against natural disasters such as floods and hurricanes.

# NOTES TO THE FINANCIAL STATEMENTS

## 17 DEFERRED DEVELOPMENT COSTS

	Group	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
<b>Cost</b>		
At beginning of year	32,000	19,000
Additions	11,500	13,000
At end of year	<u>43,500</u>	<u>32,000</u>
<b>Accumulated amortisation</b>		
At beginning of year	9,400	7,000
Charge for the year	3,400	2,400
At end of year	<u>12,800</u>	<u>9,400</u>
<b>Carrying amount</b>	<u>30,700</u>	<u>22,600</u>
Represented by:		
Incomplete development projects	21,500	10,000
Completed development projects	9,200	12,600
	<u>30,700</u>	<u>22,600</u>
	Years	Years
Average remaining amortisation period for completed development projects	3.8	4.5

Deferred development costs represent expenditures incurred in developing techniques relating to the cultivation of orange trees, which will increase the productivity of the biological assets in future periods.

# NOTES TO THE FINANCIAL STATEMENTS

## 18 INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2009</b> <i>RMB'000</i>	2008 <i>RMB'000</i>
Unlisted investments, at cost	<b>5,300</b>	5,300
Capital contribution in respect of employee share-based payments	<b>9,501</b>	3,839
Due from subsidiaries	<b>670,384</b>	481,918
Due to a subsidiary	<b>(31,216)</b>	(31,072)
	<b><u>653,969</u></b>	<u>459,985</u>

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, interest-free and not repayable within the next 12 months.

Details of subsidiaries as at 30 June 2009 are as follows:

<b>Name</b>	<b>Place of incorporation/ establishment</b>	<b>Percentage of equity interest attributable to the Group</b>	<b>Principal activities</b>
Directly held:			
Newasia Global Limited	BVI	100%	Investment holding
Access Fortune Investments Limited	BVI	100%	Investment holding
Raised Energy Investments Limited	BVI	100%	Investment holding
Indirectly held:			
Lucky Team (Hepu)	PRC	100%	Planting, cultivation and sales of oranges
Litian (Xinfeng)	PRC	100%	Planting, cultivation and sales of oranges
Asian Citrus Management Company Limited	BVI	100%	Proprietor and licensor of the Group's intellectual property rights

# NOTES TO THE FINANCIAL STATEMENTS

## 18 INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Percentage of equity interest attributable to the Group	Principal activities
Indirectly held:			
Asian Citrus (H.K.) Company Limited	Hong Kong	100%	General commercial and leasing of properties
Lucky Team Biotech Development (Zigui) Limited	PRC	100%	Sourcing of oranges and development of nursery
Lucky Team Agriculture	PRC	100%	Development of nursery
Lucky Team (Ganzhou)	PRC	100%	Development of orange processing centre
Lucky Team Real Estate (Yi Chang) Limited	PRC	100%	Dormant
Lucky Team Biotech Development Yongzhou Limited	PRC	100%	Planting, cultivation and sales of oranges

## 19 INTERESTS IN ASSOCIATES

	Group	
	2009 RMB'000	2008 RMB'000
Share of net liabilities	(2,818)	(2,450)
Due from an associate	4,714	4,666
	<hr/>	<hr/>
	1,896	2,216
Impairment loss	(1,896)	—
	<hr/>	<hr/>
	—	2,216
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE FINANCIAL STATEMENTS

## 19 INTERESTS IN ASSOCIATES (continued)

The amount due from an associate is unsecured, interest-free and not repayable within the next 12 months. The advances to the associate are primarily for the funding of operations.

Due to the cessation of business of associates, an impairment loss of RMB1,896,000 (2008: RMBNil) was recognised in respect of the interests in associates during the year ended 30 June 2009.

Details of associates as at 30 June 2009 are as follows:

Name	Place of incorporation/ establishment	Percentage of equity interest attributable to the Group Indirect	Principal activities
Asian Fruits Limited	BVI	46%	Dormant
Asian Fruits Trading (Dongguan) Limited	PRC	46%	Dormant

Summarised financial information in respect of the Group's associates is set out below:

	Group	
	2009 RMB'000	2008 RMB'000
Total assets	<u>3,830</u>	<u>4,625</u>
Total liabilities	<u>(9,957)</u>	<u>(9,953)</u>
Revenue	<u>—</u>	<u>—</u>
Loss for the year	<u>(799)</u>	<u>(2,954)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 20 PROPERTIES FOR SALE

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Properties under development for sale	2,046	—
Completed properties for sale	<u>32,065</u>	<u>54,305</u>
	<u><u>34,111</u></u>	<u><u>54,305</u></u>

The analysis of carrying value of land use rights included in properties for sale is as follows:

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
In PRC, held on leases between 10 to 50 years	<u>6,285</u>	<u>11,153</u>

The amount of properties for sale expected to be recovered after more than one year is RMB2,046,000 (2008: RMBNil). The remaining properties for sale are expected to be recovered within one year.

## 21 INVENTORIES

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Agricultural materials	515	1,412
Packaging materials	<u>124</u>	<u>75</u>
	<u><u>639</u></u>	<u><u>1,487</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

## 22 TRADE AND OTHER RECEIVABLES

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	2,311	2,498
Other receivables, deposits and prepayments	12,590	17,399
	<u>14,901</u>	<u>19,897</u>

The amount of the Group's other receivables, deposits and prepayments expected to be recovered or recognised as an expense after more than one year is RMB6,085,000 (2008: RMB4,838,000). All of the other trade and other receivables are expected to be recovered or recognised as an expense within one year.

Trade receivables at the balance sheet date are mainly receivables from the sales of properties which are due for settlement in accordance with the terms of the related sale and purchase agreements.

The ageing analysis of trade receivables is as follows:

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	1,544	2,498
Less than 1 month past due	493	—
1 to 3 months past due	274	—
Amounts past due	767	—
	<u>2,311</u>	<u>2,498</u>

Included in the Group's trade receivables are debtors with an aggregate carrying amount of RMB767,000 (2008: RMBNil) which are past due at the balance sheet date and for which the Group has not provided for any impairment loss as the Group holds collateral over these balances.

# NOTES TO THE FINANCIAL STATEMENTS

## 23 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	Group	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Income tax (recoverable)/taxable at beginning of year	(1,073)	30,306
Provision for PRC EIT (note 9)	1,403	11,164
Provision for LAT (note 9)	802	171
Income tax paid	(825)	(42,714)
	<u>307</u>	<u>(1,073)</u>

(b) Deferred tax assets and liabilities recognised:

	Group	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
At beginning of year	—	42,887
Reversal of provision for deferred taxation (note 9)	—	(42,887)
	<u>—</u>	<u>—</u>
At end of year	—	—

(c) At 30 June 2009, the Group has not recognised deferred tax assets in respect of certain deductible temporary differences of RMB18,373,000 (2008: RMB8,444,000) because of uncertainty over availability of future taxable profits against which the Group can utilise the benefits in the relevant tax jurisdiction.

## 24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Short-term bank deposits	55,893	119,279	10,454	37,823
Cash at bank and on hand	405,348	190,673	6,612	503
	<u>461,241</u>	<u>309,952</u>	<u>17,066</u>	<u>38,326</u>

Included in the cash and cash equivalents of the Group as at 30 June 2009 is an amount of approximately RMB391,203,000 (2008: RMB182,501,000) denominated in RMB. Conversion of RMB into foreign currencies is subject to PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for terms ranging from one week to three months (2008: one month) depending on the immediate cash requirements of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## 25 SHARE CAPITAL

	Note	Group and Company		
		Number of shares	HK\$'000	RMB'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.10 each At 1 July 2007, 30 June 2008 and 30 June 2009		200,000,000	20,000	20,900
<b>Issued and fully paid:</b>				
At 1 July 2007		74,084,258	7,408	7,758
Issue of shares upon exercise of share options		272,700	27	27
At 30 June 2008		74,356,958	7,435	7,785
Issue of shares to shareholders participating in the scrip dividend	(a)	2,699,022	270	243
At 30 June 2009		77,055,980	7,705	8,028

*Notes:*

- a) On 31 December 2008, 2,699,022 new ordinary shares of HK\$0.10 each were issued at the price of £1.576 per share to shareholders participating in the scrip dividend.
- b) The ordinary shares issued rank pari passu with the existing ordinary shares in issue.
- c) Capital management

The Group manages its capital to ensure that the Group has sufficient liquidity to support the operation and development while maximising the value of shareholders. The Group's overall strategy remains unchanged from the prior year.

The Group's major internal cash resource is its cash and cash equivalents. The Group did not have any outstanding bank borrowings as at 30 June 2009 and 2008.

Management of the Group reviews its capital structure periodically by assessing budgets of major projects taking into account the provision of funding. The Group is not subject to externally imposed capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

## 26 RESERVES

	<b>Share premium</b>	<b>Share option reserve</b>	<b>Company (Accumulated losses)/ Retained profits</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 July 2007	496,590	9,021	(14,630)	490,981
Issue of shares upon exercise of share options	7,957	(2,928)	—	5,029
Share-based payments	—	6,906	—	6,906
2006/07 final dividend	—	—	(50,454)	(50,454)
Profit for the year	—	—	37,937	37,937
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2008	504,547	12,999	(27,147)	490,399
Issue of shares to shareholders participating in the scrip dividend	46,267	—	—	46,267
Share-based payments	—	8,954	—	8,954
2007/08 final dividend	—	—	(59,486)	(59,486)
Profit for the year	—	—	180,461	180,461
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30 June 2009</b>	<b>550,814</b>	<b>21,953</b>	<b>93,828</b>	<b>666,595</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE FINANCIAL STATEMENTS

## 27 SHARE-BASED PAYMENTS

Details of the share options outstanding during the year are as follows:

	<i>Note</i>	Group			
		2009	2008		
		Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
<b>Employees</b>					
Outstanding at beginning of year		2,517,800	£1.75	2,287,500	£1.62
Granted during the year	(a)(iv)	2,561,000	£1.39	353,000	£2.425
Exercised during the year		—	N/A	(122,700)	£1.38
Outstanding at end of year		<u>5,078,800</u>	£1.57	<u>2,517,800</u>	£1.75
Exercisable at end of year		<u>678,100</u>	£1.89	<u>242,400</u>	£1.94
<b>Evolution Securities China Limited</b>					
Outstanding at beginning of year		—	N/A	150,000	£1.12
Exercised during the year		—	N/A	(150,000)	£1.12
Outstanding at end of year		<u>—</u>		<u>—</u>	
Exercisable at end of year		<u>—</u>		<u>—</u>	

# NOTES TO THE FINANCIAL STATEMENTS

## 27 SHARE-BASED PAYMENTS *(continued)*

Notes:

- a) The Company's share option plan (the "Plan") is established for the primary purpose of providing incentives to the directors and employees of the Group.
- i) On 25 July 2005, 1,155,000 share options were granted at an exercise price of £1.12 per share under the Plan. The options will normally vest and become exercisable annually at the rate of 10% over 10 years, subject to continuing employment. No consideration was paid for the granting of the options. All options were issued upon the Company's shares being admitted to trading on AIM of the London Stock Exchange on 3 August 2005. The fair value of options granted was approximately RMB9,189,000 (equivalent to £651,000).
- ii) On 27 July 2006, 1,248,000 share options were granted at an exercise price of £2.045 per share under the Plan. The options will normally vest and become exercisable annually at the rate of 20% for the period from 27 July 2007 to 26 July 2014, subject to continuing employment and the satisfaction of certain performance conditions. No consideration was paid for the granting of the options. The fair value of options granted was approximately RMB16,359,000 (equivalent to £1,110,043).
- iii) On 14 September 2007, 353,000 shares options were granted at an exercise price of £2.425 per share under the Plan. The options will normally vest and become exercisable annually at the rate of 20% for the period from 14 September 2008 to 2 August 2015, subject to continuing employment and the satisfaction of certain performance conditions. No consideration was paid for the granting of the options. The fair value of options granted was approximately RMB4,870,000 (equivalent to £325,242).
- iv) On 15 October 2008, 2,561,000 share options were granted at an exercise price of £1.39 per share under the Plan. The options will normally vest and become exercisable annually at the rate of 20% for the period from 15 October 2009 to 2 August 2015, subject to continuing employment and the satisfaction of certain performance conditions. No consideration was paid for the granting of the options. The fair value of options granted was approximately RMB15,853,000 (equivalent to £1,467,915).
- b) At 30 June 2009, the number of shares in respect of which options had been granted and remained outstanding under the Plan was 5,317,000 (2008: 2,756,000) and 5,078,800 (2008: 2,517,800), representing approximately 6.9% (2008: 3.7%) and 6.6% (2008: 3.4%) of the issued shares of the Company at that date respectively. The total number of shares in respect of which options may be granted under the Plan is not permitted to exceed 10% of the issued shares of the Company from time to time.
- c) No share options were exercised during the year ended 30 June 2009. The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2008 was £2.95. The options outstanding as at 30 June 2009 have a weighted average remaining contractual life of 6 years (2008: 7 years) and the exercise prices ranging from £1.12 to £2.425 (2008: £1.12 to £2.425).

# NOTES TO THE FINANCIAL STATEMENTS

## 27 SHARE-BASED PAYMENTS (continued)

The fair value was calculated using the binomial model. The inputs into the model were as follows:

	(note (a)(i))	(note (a)(ii))	(note (a)(iii))	(note (a)(iv))
Spot price	£1.12	£2.08	£2.435	£1.465
Expected life (years)	10	8	8	6.8
Exercise price	£1.12	£2.045	£2.425	£1.39
Expected volatility	43%	42%	41%	42%
Risk-free interest rate	4.39%	4.61%	4.91%	4.53%
Dividend yield	0%	0%	1.8%	1.8%

The expected volatility is based on the historical volatility of the Company's share price on AIM and it is assumed the volatility is constant throughout the option life.

There were no service conditions or market conditions associated with the share options granted.

## 28 COMMITMENTS

### a) Operating lease commitments

At 30 June 2009, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	<b>5,957</b>	6,694
After 1 year but within 5 years	<b>24,732</b>	25,205
After 5 years	<b>272,395</b>	240,462
	<b><u>303,084</u></b>	<u>272,361</u>

Operating lease payments represent rental payable by the Group for certain of its office premises and land on which the plantations are situated. The leases of the plantations are negotiated for a term of 50 years expiring from 2050 to 2058.

### b) Capital and other commitments

At 30 June 2009, the Group had the following capital and other commitments:

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for		
Construction-in-progress	<b>26,678</b>	32,180
Research and development	<b>15,100</b>	7,000
	<b><u>41,778</u></b>	<u>39,180</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 29 RELATED PARTY TRANSACTIONS

- a) Save as disclosed elsewhere in the financial statements, the Group had the following significant related party transactions during the year:

		Group	
	<i>Note</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Purchases of organic fertilisers from:			
Fujian Zhangzhou Chaoda Microbe Organic Fertiliser Company Limited (“Zhangzhou Chaoda”)	(i)	35,220	22,635
Weizhou Chaoda Microbe Organic Fertiliser Company Limited (“Weizhou Chaoda”)	(i)	12,110	10,800
		<u>47,330</u>	<u>33,435</u>
Operating lease expenses paid to:			
Alpha Best Limited		406	291
Pan Air & Sea Forwarders (HK) Limited		—	15
		<u>406</u>	<u>306</u>

*Note:*

- i) The purchases were charged at prices and terms comparable with those charged to and contracted with independent third parties.

Zhangzhou Chaoda and Weizhou Chaoda are related parties of the Group by virtue of Mr. Kwok Ho’s interest. The entire registered capital of Zhangzhou Chaoda and Weizhou Chaoda is indirectly held by Mr. Kwok Ho, a director of Lucky Team (Hepu) and a substantial shareholder in Chaoda Modern Agriculture (Holdings) Limited (“Chaoda”). Chaoda is in turn the holding company of Huge Market Investments Limited, a major shareholder of the Company.

Alpha Best Limited and Pan Air & Sea Forwarders (HK) Limited are related to the Group by virtue of Mr. Tong Wang Chow’s interest in their share capital.

# NOTES TO THE FINANCIAL STATEMENTS

## 29 RELATED PARTY TRANSACTIONS *(continued)*

- b) At 30 June 2009, the Group had the following amount due to a related party, which was trade in nature:

	<b>Group</b>	
	<b>2009</b>	2008
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Weizhou Chaoda	<b><u>2,754</u></b>	<u>1,800</u>

- c) Compensation of key management personnel

	<b>Group</b>	
	<b>2009</b>	2008
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Short-term employee benefits	<b>7,857</b>	7,524
Share-based payments	<b>3,394</b>	3,069
Post-employment benefits	<b>50</b>	43
	<b><u>11,301</u></b>	<u>10,636</u>

Total remuneration is included in “staff costs” (note 10).

## 30 POST BALANCE SHEET EVENT

Save as disclosed elsewhere in the financial statements, there was no significant past balance sheet event.

## FIVE YEAR FINANCIAL SUMMARY

	Years ended 30 June				
	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Revenue	<b>668,259</b>	533,775	479,728	404,566	322,313
Net gain on changes in fair value of biological assets	<b>210,630</b>	165,000	133,172	115,000	103,340
Profit before income tax	<b>442,266</b>	367,741	373,985	308,863	269,778
Income tax (expense)/credit	<b>(2,205)</b>	31,552	(55,280)	(50,937)	(20,970)
Profit for the year	<b>440,061</b>	399,293	318,705	257,926	248,808
Non-current assets	<b>2,391,589</b>	2,123,749	1,785,525	1,506,245	1,161,418
Property, plant and equipment	<b>1,083,758</b>	999,155	812,491	538,907	274,184
Biological assets	<b>1,196,663</b>	947,996	773,199	628,206	509,206
Current assets	<b>565,530</b>	403,501	422,178	130,044	90,760
Total assets	<b>2,957,119</b>	2,527,250	2,207,703	1,636,289	1,252,178
Non-current liabilities	—	—	47,559	76,919	98,619
Current liabilities	<b>51,796</b>	57,966	51,661	53,721	63,071
Capital and reserves	<b>2,905,323</b>	2,469,284	2,108,483	1,505,649	1,090,488

# COMPANY INFORMATION

## DIRECTORS

Mr TONG Wang Chow  
Mr TONG Hung Wai, Tommy  
Mr CHEUNG Wai Sun  
Mr PANG Yi  
Mr SUNG Chi Keung  
Mr IP Chi Ming  
Mr MA Chiu Cheung, Andrew  
Dr LUI Ming Wah, SBS JP  
Mr YANG Zhen Han  
Mr Nicholas SMITH  
Hon Peregrine MONCREIFFE

## COMPANY SECRETARY

Mr. SUNG Chi Keung

## ASSISTANT COMPANY SECRETARY

Ira Stuart Outerbridge III

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton  
Bermuda HM11

## NOMINATED ADVISER, FINANCIAL ADVISER AND CORPORATE BROKER

J.P. Morgan Cazenove Limited  
20 Moorgate  
London EC2R 6DA  
England

## AUDITORS

Baker Tilly Hong Kong Limited  
12/F, China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

CCIF CPA Limited  
20/F Sunning Plaza  
10 Hysan Avenue  
Causeway Bay  
Hong Kong

## UK LEGAL ADVISERS

Fladgate LLP  
25 North Row  
London W1K 6DJ  
England

## HONG KONG LEGAL ADVISERS

Mallesons Stephen Jaques  
37/F Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

## BERMUDA AND BVI LEGAL ADVISERS

Conyers Dill & Pearman  
2901 One Exchange Centre  
8 Connaught Place  
Central  
Hong Kong

## PRC LEGAL ADVISERS

Zhong Lun Law Firm  
18/F, Shenzhen Development Bank Tower 5047  
Shennan Road East  
Shenzhen 518001  
China

## CHANNEL ISLANDS REGISTRARS

Computershare Investor Services (Jersey) Limited  
PO Box 83  
Ordnance House  
31 Pier Road  
St Helier  
Jersey JE4 8PW  
Channel Islands

## DEPOSITARY INTEREST REGISTRARS

Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH  
United Kingdom

## BERMUDA REGISTRARS

Butterfield Fund Services (Bermuda) Limited  
Roseback Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Asian Citrus Holdings Limited (the “Company”) will be held at 20 Moorgate, London, EC2R 6DA, United Kingdom on 11 December 2009 at 10:30 am.. The following businesses will be transacted then:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors of the Company and its subsidiaries for the year ended 30 June 2009;
2. To declare a final dividend of RMB0.8 per ordinary share for the year ended 30 June 2009;
3. To re-elect Mr. TONG Hung Wai, Tommy, who retires by rotation, as executive Director of the Company;
4. To re-elect Mr. CHEUNG Wai Sun, who retires by rotation, as executive Director of the Company;
5. To re-elect Mr. IP Chi Ming, who retires by rotation, as non-executive Director of the Company;
6. To re-appoint Baker Tilly Hong Kong Limited as auditors of the Company and to authorise the Directors to fix their remuneration;

As special businesses, to consider and if thought fit, pass with or without modifications, the following resolutions as ordinary resolution and special resolutions:

## ORDINARY RESOLUTION

7. **“THAT:**
  - (a) subject to sub-paragraph (c) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws and the bye-laws of the Company, be and is hereby generally and unconditionally approved;
  - (b) the approval in sub-paragraph (a) of this resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
  - (c) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approvals in sub-paragraphs (a) and (b) of this resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined) or upon the exercise of rights of subscription or conversion under the outstanding warrants to subscribe for shares of the Company or any securities which are convertible into shares of the Company or the share option scheme of the Company or any scrip dividend in lieu of the whole or part of a dividend on shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the ordinary share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and

# NOTICE OF ANNUAL GENERAL MEETING

(d) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

## SPECIAL RESOLUTIONS

8. **“THAT:**

- (a) subject to sub-paragraph (b) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company on Alternative Investment Market of the London Stock Exchange (“AIM”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Financial Services Authority and the London Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the AIM Rules or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorization given to the Directors of the Company and shall authorise the Directors of the Company on behalf of the Company during the Relevant Period to procure the Company to purchase its securities at a price determined by the Directors;
- (c) the aggregate nominal amount of the ordinary share capital of the Company which the Directors of the Company are authorised to repurchase pursuant to the approvals in sub-paragraphs (a) and (b) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the ordinary share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and

# NOTICE OF ANNUAL GENERAL MEETING

(d) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

9. “**THAT** conditional upon resolution numbered 7 and 8 as set out in the notice convening this meeting being passed, the aggregate nominal amount of the issued ordinary shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors of the Company pursuant to and in accordance with the said resolution numbered 8 above shall be added to the aggregate nominal amount of the ordinary share capital that may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors of the Company pursuant to and in accordance with the resolution numbered 7 as set out in the notice convening this meeting.”

By Order of the Board,

**Sung Chi Keung**  
*Company Secretary*

15 September 2009

Registered office:  
Clarendon House, 2 Church Street, Hamilton, Bermuda HM11

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

- 1 A member entitled to attend and vote at the annual general meeting (“AGM”) may appoint a proxy (who need not be a member of the Company) to attend and, on a poll, to vote on his or her behalf. In order to be valid an appointment of proxy must be returned by one of the following methods:

In hard copy form deposited with the Company’s registrars. Computershare Investor Services PLC, the Pavilions, Bridgwater Road, Bristol, United Kingdom; or

In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below, and in each case instructions must be received not less than 72 hours before the time of the meeting. Appointment of a proxy does not preclude a member from attending the meeting and voting in person.

- 2 For an appointment of proxy returned in hard copy to be valid, it must be completed and deposited (together with any power of attorney or other written authority under which it is signed or a copy of such authority notarially certified or in some other way approved by the Directors) with Computershare Investor Services (Jersey) Limited, PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW, not less than 48 hours before the meeting.

- 3 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual, CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a writing service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with CRESTCo’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted so as to be received by the issuer’s agent (3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

- 4 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or proxy, will be accepted to the exclusion of votes of the joint holders. For this purpose seniority is determined by the order in which the names stand in the register of members.

## NOTICE OF ANNUAL GENERAL MEETING

- 5 As at the date of this notice the Directors of the Company are Mr. Tong Wang Chow, Mr. Tong Hung Wai, Tommy, Mr. Cheung Wai Sun, Mr. Pang Yi, Mr. Sung Chi Keung, Mr. Ip Chi Ming, Mr. Ma Chiu Cheung, Andrew, Dr. Lui Ming Wah, SBS JP, Mr. Yang Zhen Hon, Mr. Nicholas Smith and Hon Peregrine Moncreiffe.
- 6 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the Register of Members of the Company as of 8 December 2009 are entitled to attend or vote at the Annual General Meeting in respect to the number of shares registered in their name at that time. Changes to entries on the Register after that time will be disregarded when determining the rights of any person to attend or vote in the annual general meeting.
- 7 The register of members of the Company will be closed on 11 December 2009. Only shareholders that appear on the register on that date will be qualified for the proposed final dividend to be approved at the annual general meeting.
- 8 The register of Directors interests kept by the Company under Section 325 of the Companies Act 1995 will be available for inspection at the meeting from 8:30 am until the conclusion of the meeting.
- 9 Copies of the Directors' service contracts will be available for inspection at the meeting from 8:45 am until the conclusion of the meeting.

