

# Tianyun International Holdings Limited 天韵國際控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 6836.HK

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INTERIM REPORT 2020



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# Corporate Information

## Board of Directors

### Executive Directors

Mr. Yang Ziyuan (*Chairman and Chief Executive Officer*)

Mr. Sun Xingyu  
Mr. Wang Hu

### Non-executive Directors

Ms. Chu Yinghong  
Mr. Wong Yim Pan  
Mr. Liu Zhumeng

### Independent Non-executive Directors

Mr. Liang Zhongkang  
Prof. Lu Yuanping  
Mr. O'Yang Wiley

### Audit Committee

Mr. O'Yang Wiley (*Chairman*)  
Mr. Liang Zhongkang  
Prof. Lu Yuanping

### Nomination Committee

Mr. Yang Ziyuan (*Chairman*)  
Mr. Wang Hu  
Mr. Liang Zhongkang  
Prof. Lu Yuanping  
Mr. O'Yang Wiley

### Remuneration Committee

Mr. Liang Zhongkang (*Chairman*)  
Mr. Yang Ziyuan  
Prof. Lu Yuanping  
Mr. O'Yang Wiley

### Strategic Development Committee

Mr. Yang Ziyuan (*Chairman*)  
Mr. Sun Xingyu  
Ms. Chu Yinghong  
Mr. Wong Yim Pan  
Mr. Liang Zhongkang  
Mr. Liu Zhumeng  
Mr. Ho Ho Tung Armen

## Company Secretary

Mr. Ho Ho Tung Armen

## Authorised Representatives

Mr. Sun Xingyu  
Mr. Ho Ho Tung Armen

## Principal Place of Business in China

Middle Phoenix Street  
Hedong District  
Linyi City, Shandong Province  
The PRC

## Principal Share Registrar and Transfer Office and Registered Office in the BVI

Conyers Trust Company (BVI) Limited  
Commerce House  
Wickhams Cay 1  
P.O. Box 3140, Road Town  
Tortola  
British Virgin Islands  
VG1110

## Principal Place of Business in Hong Kong

Unit 605, 6th Floor  
Beautiful Group Tower  
74-77 Connaught Road Central  
Central  
Hong Kong

## Branch Share Registrar and Transfer Office Hong Kong

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## Legal Adviser as to Hong Kong Law

Raymond Siu & Lawyers  
Units 1302-3 & 1802  
Ruttonjee House  
11 Duddell Street, Central  
Hong Kong

## Legal Adviser as to PRC Law

Jingtian & Gongcheng  
34/F., Tower 3  
China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing 100025  
The PRC

## Principal Bankers

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai  
Banking Corporation Limited  
Hang Seng Bank Limited  
Industrial and Commercial Bank of  
China Limited  
Bank of China Limited  
Agricultural Bank of China Limited  
Linshang Bank Co., Limited  
Hubei Dangyang Rural Commercial  
Bank Limited  
Wuhan Rural Commercial Bank  
Co., Limited

## Auditor

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest  
Entity Auditor  
22nd Floor, Prince's Building  
Central  
Hong Kong

## Company's Website

<http://www.tianyuninternational.com>

## Enquiries

[info@tianyuninternational.com](mailto:info@tianyuninternational.com)

## Stock Code

6836

# Management Discussion and Analysis

Tianyun International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group” or “Tianyun International”) is principally engaged in (i) the production and sales of processed fruit products packaged in metal containers, plastic cups, glass containers and aluminum foil packet, and (ii) trading of fresh fruits. Processed fruit products are sold under our own brands “繽果時代(Bingo Time)”, “天同時代(Tiantong Times)” and “果小懶(fruit zz)” and on an OEM basis.

As one of the food enterprises with the most complete set of quality certifications, the Group is committed to providing customers with healthy and safe products and has always been dedicated to following stringent international production standards. The Group has been accredited with BRC(A), IFS Food (High), FDA, HALAL, SC, KOSHER, BSCI and ISO22000 in respect of our production facilities, quality control and management. The Group has also passed the internal food production standard reviews and audits of several European and US supermarket chains. Meanwhile, the Group has been supplying products of equivalent quality to domestic and international markets as a “Equal production line; Equal standard; Equal quality” food production and export enterprise in China. Since 2016, the Group’s own brands of quality processed food products have continuously obtained a high degree of market recognition and have been awarded by a national institution the honor and qualification of “China Canned Product Quality Certification Label”, becoming the first fruit processor in the China’s fruit processing industry to place the “Zero Added Preservatives” label on its products.

According to a recent analysis report on China’s processed fruits and vegetables market industry published by Euromonitor International, a global institution on market data and research, the industry market size of 2019 has grown by 8% year-on-year to RMB12 billion, while Tianyun International has become a leading enterprise in the industry. With years of intensive cultivation in the fruit processing industry, the Group’s brand, image and product quality have always been widely recognized.

## Business Review

In the first half of 2020, the sudden outbreak of the novel coronavirus shocked the global economy, and with an intensified trade confrontation between China and the U.S., the global business environment became extremely challenging with reduced trade, substantially affecting overall market sentiment. It is anticipated that the global economy will experience its first recession since the last financial crisis. With closures and controls implemented across countries and regions, both logistics and retail industries faced extreme challenges. As a consumer goods enterprise, the pandemic has brought uncertainties to the Group’s business environment and the Group has to face the challenge of such risks, with production and operation in the first quarter of 2020 suffering a certain degree of impact. Despite this, the Group’s fundamental conditions remain stable and healthy. As the domestic pandemic situation gradually improved and recovery commenced in the second quarter of 2020, the Group’s production and business operations have gradually returned to normal in the second quarter.

During the six months ended 30 June 2020 (the “Review Period”), the Group continued to receive multiple accolades. The Group’s wholly-owned subsidiary, 山東天同食品有限公司 (Shandong Tiantong Food Co., Ltd.) (“Shandong Tiantong”), was elected one of the Most Valuable Chinese Brands for the fourth consecutive year and surpassed the RMB1.5 billion threshold in its assessed brand value for the first time, which shows the high level of market recognition for the Group’s brand value, and also reflects the steady growth of market share for the Group’s own brand products. In addition, the Group was awarded for the first time the Hi-tech Enterprise Certificate jointly issued by the Department of Science and Technology of Shandong Province, the Shandong Provincial Department of Finance, and the Shandong Provincial Tax Service of State Taxation Administration, signifying national level recognition and support for the Group’s technological capacity and innovative capability. During the Review Period, the engineering and research centre of Shandong Tiantong was recognized by the National Development and Reform Commission as a “Canned Fruits Processing and Smart Production Engineering and Research Centre”, fully demonstrating a leading position of the Group’s fruit processing and smart production among industry peers, providing a high degree of recognition of our production technology, and research and development capability.

# Management Discussion and Analysis (Continued)

## Own Brand and OEM Business

During the Review Period, revenue for products under the Group's own brands declined as compared with the same period in 2019 as a result of the novel coronavirus outbreak, as the Group actively raised brand profile through various marketing channels, developed potential sales networks in response to the rebounding market demand. As of 30 June 2020, products under the Group's own brands were sold in 27 provinces, direct municipalities and autonomous regions across the country, including renowned chain supermarkets such as RT MART, AEON and Jingkelong supermarket chains. Meanwhile, with online shopping becoming an essential channel of spending for consumers, the Group has also capitalized on this trend, actively participating in live streaming direct sales on popular online streaming platforms as well as promotional events on e-commerce platforms, breaking new ground for our brand profile and driving sales growth.

In order to achieve healthy and strong development, the Group has been continuously improving its industrial technology and actively launching new products to satisfy consumers at large for their desire of new tastes and demands for diverse fruit products. For instance, during the Review Period, the Group launched processed fruit products for cherry tomatoes, grapes and mangoes, and used new packaging styles preferred by younger age groups, which were huge hits with consumers. The "Tiantong Times" series under the Group's own brand also ventured into new canned product territory such as canned fish, in order to bring fresh experience and impression to consumers. As for new forms of packaging, our Group has responded to demands from our customers for large-sized packaging, such as a 5-litre foil bag and a 9-litre square tub packaging, with our technology and quality receiving acclaim from our customers.

Moreover, the Group's OEM business continued to be a steady source of revenue for the Group, with business coverage over renowned international brands across the five continents. The Group's products are eventually exported to a relatively diversified range of regions, allowing us to effectively diversify risks associated with an overly concentrated customer base. During the Review Period, although our revenue from the OEM business recorded a period-on-period decline, it is expected that the global market's appetite for importing different types of processed fruit products made in China will remain massive, and the Group will continue to grasp opportunities, expanding our OEM business coverage by exploring more business opportunities in overseas markets such as Japan, United Kingdom, Canada, Europe, Australia and New Zealand.

## Trading of Fresh Fruits

For years, the Group has selected and resold a small portion of fresh fruits to domestic fresh fruits wholesalers. According to the data published by iiMedia Research in December 2019, the fresh food e-commerce market size is expected to reach RMB263.8 billion in 2020 in China. With penetration of e-commerce on the rise and growth of user habits, as well as a surge in demand during the pandemic, China's fresh food e-commerce platform will become an emerging market. In light of this, the Group will continue to actively seek business partners that have both domestic and international fresh fruits sales channels and reputable Chinese brands associated with fresh fruits, in order to promote more sales, exchange and processing of fresh fruits from different origins of both domestic and overseas market, and bring a richer and more diversified variety of quality fruits to the consumers at large.

# Management Discussion and Analysis (Continued)

## Production Capacity, Research and Development

The Group continued to improve production facilities during the Review Period in order to raise our level of automation and production efficiency. Currently, the Group has completed the land acquisition for the new No. 5 and No. 6 production workshops in Shandong, and early stage of the construction works have been commenced. The new workshops are expected to be completed in the first half of 2021 and commence its production in the second half of 2021. It is hoped that products with brand new form of packaging would be launched and produced in the new workshops. The new form of packaging is expected to increase our product varieties and specifications, and to effectively raise our new orders.

During the Review Period, Tiantong Food (Yichang) Ltd. (“Yichang Tiantong”) has continued to transform its facilities and enhance its capacity, effectively increasing the Group’s production capacity for new products and existing processed fruit products, while also facilitating the Group’s arrangements with warehousing and transportation of our own brand products in central part of China as well as developing new types of fruit products from sub-tropical climate zones.

## Merger and Acquisition and Strategic Partnership

The Group is always actively seeking opportunities for merger and acquisition and strategic partnership in the hopes of enhancing our existing business, expanding our business network, increasing information exchange with external parties, exploring more new markets, new technology and new invention opportunities, and strengthening the Group’s overall competitiveness. During the Review Period, the Group further established a strategic partnership with a renowned beverage company and will launch a number of special and sports beverage products. Our future product line will be expanded from the current focus on various processed fruit products to the field of beverages. The Group will continue to monitor other merger and acquisition and strategic partnership opportunities in order to fit into the Group’s inherent growth strategy and achieve better long-term development.

## Fighting the Pandemic Together

Since the outbreak of the pandemic early this year, the Group has been closely monitoring the developments of the pandemic, and has donated supplies amounting to RMB300,000 to support frontline healthcare workers in fighting the pandemic and disease prevention, contributing an effort towards fighting the pandemic together. Meanwhile, the Group responded to changes in the pandemic by comprehensively implementing various stringent preventive measures to ensure that production is carried out safely and smoothly. The Group is committed to fulfilling our social responsibilities, providing our staff with a continuous healthy and hygienic working environment while strengthening cohesion among our employees.

# Management Discussion and Analysis (Continued)

## Outlook

Looking to the second half of the year, China's economy is expected to steadily recover under the effect of a series of policies in a post-pandemic era. As a leading domestic food production enterprise, the Group will continue to promote the development of our own brand business, closely monitor market development, and continue to launch new products in different categories and fruit varieties. In particular, a series of sports beverages with fruit juice and vitamins under our own brand have been successfully developed and are ready for launching. Preparation works have been entered into the final stage. These new products are expected to be launched to the market as soon as possible by the fourth quarter of 2020.

Looking ahead, the Group will actively optimize various development strategies, vigorously embrace change and opportunities, continuously enhance our own research and development capabilities, strengthen our innovation in food processing technology, so as to create more value. Meanwhile, through intensive expansion of diverse marketing channels both online and offline, we strive to raise brand profile and reputation for our own brands, expand our revenue source, and continue to improve our business strategy and operation model, in order to maintain development in an ever changing landscape, and to further strengthen the Group's core competitiveness.

## Financial Review

### Revenue

During the Review Period, our revenue decreased to approximately RMB306.0 million from approximately RMB457.6 million for the six months ended 30 June 2019, representing a decrease of approximately RMB151.6 million or 33.1%. The Group continued to sell its processed fruit products under its own brand and on an OEM basis, and engaged in trading of fresh fruits. The decrease in revenue during the Review Period was mainly attributable to the decrease in the sales of our own brand products of approximately RMB95.8 million and a decrease in the OEM sales, and fresh fruits sales and others of approximately RMB48.2 million and RMB7.6 million respectively.

Breakdown of the revenue by business segments for the six months ended 30 June 2020 and the comparative unaudited figures in 2019 is set out as follows:

	For the six months ended 30 June (unaudited)			
	2020 RMB million	2019 RMB million	Changes RMB million	%
Revenue				
Own Brand Sales	<b>162.2</b>	258.0	(95.8)	(37.1)
OEM Sales	<b>118.4</b>	166.6	(48.2)	(28.9)
Fresh Fruits Sales and Others	<b>25.4</b>	33.0	(7.6)	(23.0)
<b>Total</b>	<b>306.0</b>	457.6	(151.6)	(33.1)

During the Review Period, processed fruit products sold under our own brand accounted for 53.0% (2019: 56.4%) of the total revenue and represented the largest business segment of the Group. Own brand sales decreased from approximately RMB258.0 million for the six months ended 30 June 2019 to approximately RMB162.2 million for the six months ended 30 June 2020, representing a decrease of approximately RMB95.8 million or 37.1%.

## Management Discussion and Analysis (Continued)

Revenue from processed fruit products sold on an OEM basis represented 38.7% (2019: 36.4%) of the total revenue during the Review Period and continued to be a significant portion of the total revenue of the Group. Our OEM processed fruit products are mainly sold to international and well-known brand owners either by our Group directly to overseas brand owners and trading entities, or through local import and export entities based in the PRC. Revenue from OEM sales decreased by RMB48.2 million or 28.9% from approximately RMB166.6 million for the six months ended 30 June 2019 to approximately RMB118.4 million for the six months ended 30 June 2020.

During the Review Period, the Group's sales under both own brand and OEM business was affected by, inter alia, the outbreak of the novel coronavirus disease, and the subsequent prevention measures and restrictions on consumption activities imposed by various regions in China and countries around the world. The raw materials supplies and logistics were also affected. Most of the trade fairs and food exhibitions in China and other countries were cancelled or delayed.

We also sold fresh fruits and the revenue contributed by fresh fruits sales and others represented 8.3% of the total revenue for the six months ended 30 June 2020 (2019: 7.2%). Revenue from fresh fruits sales and others during the Review Period decreased by RMB7.6 million or 23.0% to approximately RMB25.4 million. The decrease was generally in line with the percentage of decrease in revenue from the sales of processed fruit products.

### Other income, and other gains, net

During the Review Period, other income mainly represented government subsidies and rental income from investment properties. Other gains, net mainly represented the fair value change on contingent consideration payable with regard to the acquisition of Yichang Tiantong.

### Gross profit and gross profit margin

	For the six months ended 30 June (unaudited)			
	2020 RMB million	2019 RMB million	Changes RMB million	%
Gross profit				
Own Brand Sales	47.9	74.1	(26.2)	(35.4)
OEM Sales	34.7	50.1	(15.4)	(30.7)
Fresh Fruits Sales and others	2.9	3.7	(0.8)	(21.6)
<b>Total gross profit</b>	<b>85.5</b>	<b>127.9</b>	<b>(42.4)</b>	<b>(33.2)</b>

Gross profit for the six months ended 30 June 2020 decreased to approximately RMB85.5 million from approximately RMB127.9 million for the six months ended 30 June 2019, representing a period-on-period decrease of RMB42.4 million, or 33.2%. The decrease was mainly driven by decrease in revenue from own brand sales, OEM sales and fresh fruits sales.

# Management Discussion and Analysis (Continued)

	For the six months ended 30 June (unaudited)	
	2020	2019
Gross profit margin		
Own Brand Sales	29.5%	28.7%
OEM Sales	29.3%	30.1%
Fresh Fruits Sales and others	11.4%	11.2%
<b>Overall gross profit margin</b>	<b>27.9%</b>	28.0%

During the Review Period, the gross profit margin remained stable at 27.9% as compared to that of 28.0% in the corresponding period in 2019.

## Selling and distribution expenses

Selling and distribution expenses mainly include the transportation and delivery costs, promotion and advertising expenses, and salary and related staff costs from sales and marketing department. For the six months ended 30 June 2020, the selling and distribution expenses decreased from approximately RMB6.9 million for the six months ended 30 June 2019 to approximately RMB6.0 million, representing a period-on-period decrease of approximately RMB0.9 million, or 13.0%. The decrease was mainly attributable to the drop in revenue, and was partially offset by the increase in promotion and marketing activities with distributors for our own brand business during the Review Period.

## General and administrative expenses

General and administrative expenses mainly include salary expenses and related staff costs for management and administrative departments, professional fees, depreciation, foreign exchange differences, and various taxes with regard to the use of land and buildings. The amount increased from RMB21.4 million for the six months ended 30 June 2019 to RMB23.4 million for the six months ended 30 June 2020, representing a period-on-period increase of approximately RMB2.0 million, or 9.3%. Without taking into account the effect of exchange difference during the Review Period, general and administrative expenses decreased by approximately 0.9% or RMB0.2 million for the six months ended 30 June 2020. The increase in depreciation and amortisation expenses was generally offset by the decrease in repair and maintenance costs.

## Income tax expenses

Income tax expenses represent mainly the PRC corporate income tax payable by our PRC subsidiaries. For the six months ended 30 June 2020, our income tax expenses decreased by RMB9.7 million, or approximately 38.8%, to RMB15.3 million from RMB25.0 million for the six months ended 30 June 2019. The decrease in the income tax expenses was primarily due to decrease in our PRC assessable income during the Review Period.

## Net profit and net profit margin

For the six months ended 30 June 2020, net profit decreased by approximately RMB22.6 million or 32.1% to approximately RMB47.7 million as compared to approximately RMB70.3 million for the six months ended 30 June 2019. The overall decrease in net profit during the Review Period was mainly due to the drop in revenue, which was partially offset by increase in interest income derived from bank deposits. The net profit margin for the Review Period was 15.6% (2019: 15.4%).

# Management Discussion and Analysis (Continued)

## Liquidity, Financial Resources and Capital Resources

The Group principally meets the requirements of its working capital and other liquidity requirements through a combination of operating cash flows, capital contributions and bank and other borrowings.

### Summary of major indicators in respect of the strength on the liquidity of the Group

	As at 30 June 2020	As at 31 December 2019
Gearing ratio (%)	19.9%	22.8%
Current ratio	2.35	2.65
Cash and cash equivalent (RMB million)	500.3	472.0
Net current assets (RMB million)	448.1	475.6
Quick ratio	2.04	2.30

The gearing ratio of the Group as at 30 June 2020 was 19.9% (31 December 2019: 22.8%). Gearing ratio was calculated based on total debts divided by total equity. The amount of total debts was calculated by aggregating the bank and other borrowings (excluding the amount due to a substantial shareholder).

The current ratio (calculated based on total current assets divided by total current liabilities) of the Group as at 30 June 2020 was 2.35 (31 December 2019: 2.65).

As at 30 June 2020, our cash and cash equivalents amounted to approximately RMB500.3 million (31 December 2019: RMB472.0 million). Our net current assets was approximately RMB448.1 million as at 30 June 2020, as compared to approximately RMB475.6 million as at 31 December 2019.

The quick ratio (calculated based on total current assets (excluding inventory) divided by total current liabilities) of the Group as at 30 June 2020 was 2.04 (31 December 2019: 2.30). With stable cash inflows generated in the daily business operation, the Group has sufficient financial resources for potential future expansion.

The Group manages its capital structure by maintaining a balance between the equity and debts. The Group makes adjustments to the capital structure from time to time in light of the changes in economic conditions affecting the Group.

The Group has not experienced any material difficulties or adverse effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the Review Period.

### Capital structure

The Group's total equity and liabilities amounted to approximately RMB915.4 million and RMB336.4 million, respectively as at 30 June 2020 (31 December 2019: RMB894.1 million and RMB297.7 million).

# Management Discussion and Analysis (Continued)

## Bank borrowing and other borrowings, and net finance income or costs

As at 30 June 2020, the total amount of interest-bearing bank and other borrowings was approximately RMB182.6 million (31 December 2019: RMB203.4 million). During the Review Period, the Group reduced its net bank borrowings by approximately RMB20.8 million.

Net finance income or costs of the Group represents finance income less finance costs. The balance changed from a net finance costs of approximately RMB5.9 million for the six months ended 30 June 2019 to a net finance income of approximately RMB2.5 million for the six months ended 30 June 2020, representing a change of approximately RMB8.4 million. During the Review Period, the finance income increased by approximately RMB6.9 million or 866% and finance costs decreased by approximately RMB1.5 million or 23%. The substantial change from net finance costs to net finance income was mainly attributable to the increase in interest income from bank, and the decrease in interest expenses paid to a substantial shareholder during the Review Period.

## Pledged assets

The Group pledged its right-of-use assets (2019: leasehold land and land use rights) and buildings as collateral for the bank borrowings. As at 30 June 2020, the net book value of pledged right-of-use assets and buildings amounted to approximately RMB151.1 million (31 December 2019: land and buildings amounting to RMB138.0 million).

## Capital expenditure

During the Review Period, we made several improvement works and built new facilities for the sustainable development of our business. Regarding our production base in Shandong province, approximately RMB25.2 million were incurred to improve our existing production workshops, freezers, environmental protection facilities and integrated development centre. The construction of new No. 5 and No. 6 workshops has been under progress and an approximate of RMB41.3 million had been spent and prepaid as of 30 June 2020. With regard to our production base in Hubei province, construction works in relation to addition, renovation and upgrading works on its production workshops and facilities were performed during the Review Period, and approximately RMB19.8 million was expended as of 30 June 2020.

## Interest rate risk

The Group has not used any derivatives to hedge against interest rate risk. The interest rate risk of the Group arises from the bank balances at floating interest rates, and the bank and other borrowings. The bank borrowings obtained at variable rates exposes the Group to cash flow interest rate risk, which is partially offset by the bank balances held at variable rates. The borrowings of the Group at fixed interest rates also expose the Group to fair value interest rate risk. During the Review Period, the bank and other borrowings of the Group at variable rates and fixed rates were all denominated in Renminbi or Hong Kong Dollars ("HKD"). The cash deposits placed with banks generate interest at the prevailing market interest rate.

## Foreign currency exposure

The Group mainly operates in the PRC and most of the transactions are conducted in Renminbi. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to bank deposits, bank and other loans and trade receivables denominated in the United States dollars or HKD. Foreign exchange risk also arises from sales transactions in foreign currencies with overseas customers which have mostly been conducted in United States dollars. The monetary assets of the Group were denominated in HKD, Renminbi and United States dollars. The Group has not implemented any hedging measures to mitigate the aforesaid foreign exchange risk. The management will monitor its foreign exchange exposure from time to time and will consider implementing hedging measures if necessary.

# Management Discussion and Analysis (Continued)

## Human resources

As at 30 June 2020, the number of employees of the Group was 665 (31 December 2019: 722). The total staff costs, including Directors' emoluments, amounted to approximately RMB17.4 million for the Review Period (30 June 2019: approximately RMB24.7 million). The emoluments payable to the Directors are subject to their respective terms of engagement approved by the Remuneration Committee of the Company having regard to the operating results of the Group, the performance of individual Directors and comparable market statistics. The Group implements a remuneration policy which offers or has in place bonus, a share option scheme and a share award scheme with reference to the performance of the Group and individual employees. The Group also provides insurances, medical benefits and contribute to retirement funds for employees so as to sustain the competitiveness of the Group.

## Commitments and contingent liabilities

As at 30 June 2020, the capital commitments contracted for but not yet incurred and provided for as of 30 June 2020 amounted to approximately RMB50.2 million (31 December 2019: RMB49.3 million). In addition, the Group did not have any material outstanding contingent liabilities.

## Material acquisitions and disposals

During the six months ended 30 June 2020 and up to the date of this report, the Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

## Principal risks and uncertainties

The Group is exposed to a number of risks in its business operations. Details of the risks and uncertainties the Group faced during the six months ended 30 June 2020 remain the same as those disclosed in the paragraph headed "Principal risks and uncertainties" in the "Report of the Directors" section of the 2019 annual report.

# Auditor's Independent Review Report



羅兵咸永道

**Report on Review of Interim Financial Information**  
**To the Board of Directors of Tianyun International Holdings Limited**  
*(incorporated in the British Virgin Islands with limited liability)*

## Introduction

We have reviewed the interim financial information set out on pages 13 to 34, which comprises the interim condensed consolidated statement of financial position of Tianyun International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 26 August 2020

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue	7	305,959	457,613
Cost of sales		(220,455)	(329,746)
<b>Gross profit</b>		<b>85,504</b>	127,867
Other income	7	415	811
Other gains, net	7	3,913	939
Selling and distribution expenses		(5,974)	(6,941)
General and administrative expenses		(23,566)	(21,405)
Net reversal of impairment on financial assets		177	–
<b>Operating profit</b>	8	<b>60,469</b>	101,271
Finance income		7,674	794
Finance costs		(5,177)	(6,722)
<b>Finance income/(costs) – net</b>	9	<b>2,497</b>	(5,928)
<b>Profit before income tax</b>		<b>62,966</b>	95,343
Income tax expense	10	(15,307)	(25,046)
<b>Profit and total comprehensive income, net of tax for the period</b>		<b>47,659</b>	70,297
<b>Profit and total comprehensive income attributable to:</b>			
Equity holders of the Company		47,772	70,297
Non-controlling interest		(113)	–
		<b>47,659</b>	70,297
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB dollar)			
– Basic earnings per share	12	0.048	0.071
– Diluted earnings per share	12	0.048	0.071

The accompanying notes are an integral part of this condensed consolidated interim financial information.

# Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	<i>Note</i>	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		<b>79,925</b>	81,079
Property, plant and equipment	13	<b>329,267</b>	286,435
Investment properties	15	<b>30,800</b>	30,300
Prepayments	14	<b>30,000</b>	30,000
Goodwill		<b>1,104</b>	1,104
<b>Total non-current assets</b>		<b>471,096</b>	428,918
<b>Current assets</b>			
Inventories		<b>101,528</b>	101,951
Trade and other receivables	14	<b>173,851</b>	187,583
Restricted cash		<b>5,000</b>	1,407
Cash and cash equivalents		<b>500,313</b>	471,992
<b>Total current assets</b>		<b>780,692</b>	762,933
<b>Total assets</b>		<b>1,251,788</b>	1,191,851
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		<b>142,104</b>	168,437
Reserves		<b>773,466</b>	725,694
		<b>915,570</b>	894,131
Non-controlling interest		<b>(142)</b>	(29)
<b>Total equity</b>		<b>915,428</b>	894,102

The accompanying notes are an integral part of this condensed consolidated interim financial information.

## Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2020

	<i>Note</i>	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Contingent consideration payable		–	6,962
Lease liabilities		<b>144</b>	355
Deferred tax liabilities		<b>3,611</b>	3,067
<b>Total non-current liabilities</b>		<b>3,755</b>	10,384
<b>Current liabilities</b>			
Trade and bills payables	17	<b>26,494</b>	29,066
Accruals and other payables	18	<b>19,343</b>	22,599
Amount due to a substantial shareholder		<b>57,774</b>	20,301
Amount due to the non-controlling interest		–	103
Bank and other borrowings	19	<b>182,556</b>	203,445
Contingent consideration payable		<b>10,170</b>	6,963
Lease liabilities		<b>419</b>	410
Current income tax liabilities		<b>9,516</b>	4,478
Dividend payable		<b>26,333</b>	–
<b>Total current liabilities</b>		<b>332,605</b>	287,365
<b>Total liabilities</b>		<b>336,360</b>	297,749
<b>Total equity and liabilities</b>		<b>1,251,788</b>	1,191,851

The accompanying notes are an integral part of this condensed consolidated interim financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to equity holders of the Company (Unaudited)							
	Share capital RMB'000	Merger reserve RMB'000	Revaluation reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Share held under share award scheme RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2019	207,383	(3,100)	303	55,462	2,382	–	503,637	766,067
<b>Comprehensive income</b>								
Profit for the period	–	–	–	–	–	–	70,297	70,297
<b>Total comprehensive income for the period</b>	–	–	–	–	–	–	70,297	70,297
<b>Transaction with owners</b>								
Dividends declared relating to 2018 (Note 11)	(22,583)	–	–	–	–	–	–	(22,583)
Employees share award scheme: – acquisition of shares held under share award scheme	–	–	–	–	–	(2,080)	–	(2,080)
Transfer of reserves	–	–	–	7,136	–	–	(7,136)	–
<b>Total transactions with owners</b>	(22,583)	–	–	7,136	–	(2,080)	(7,136)	(24,663)
<b>Balance at 30 June 2019</b>	<b>184,800</b>	<b>(3,100)</b>	<b>303</b>	<b>62,598</b>	<b>2,382</b>	<b>(2,080)</b>	<b>566,798</b>	<b>811,701</b>

For the six months ended 30 June 2020

	Attributable to equity holders of the Company (Unaudited)									
	Share capital RMB'000	Merger reserve RMB'000	Revaluation reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Share held under share award scheme RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2020	168,437	(3,100)	303	72,661	1,315	(2,080)	656,595	894,131	(29)	894,102
<b>Comprehensive income</b>										
Profit for the period	–	–	–	–	–	–	47,772	47,772	(113)	47,659
<b>Total comprehensive income for the period</b>	–	–	–	–	–	–	47,772	47,772	(113)	47,659
<b>Transaction with owners</b>										
Dividends paid relating to 2019 (Note 11)	(26,333)	–	–	–	–	–	–	(26,333)	–	(26,333)
Transfer of reserves	–	–	–	5,444	–	–	(5,444)	–	–	–
<b>Total transactions with owners</b>	(26,333)	–	–	5,444	–	–	(5,444)	(26,333)	–	(26,333)
<b>Balance at 30 June 2020</b>	<b>142,104</b>	<b>(3,100)</b>	<b>303</b>	<b>78,105</b>	<b>1,315</b>	<b>(2,080)</b>	<b>698,923</b>	<b>915,570</b>	<b>(142)</b>	<b>915,428</b>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	72,891	33,564
Interest paid	(4,997)	(6,722)
Income tax paid	(9,725)	(36,286)
Net cash generated from/(used in) operating activities	58,169	(9,444)
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(53,724)	(5,242)
Prepayments for property, plant and equipment	–	(691)
Interest received	7,674	794
Net cash used in investing activities	(46,050)	(5,139)
<b>Cash flows from financing activities</b>		
Cash received from a substantial shareholder	36,471	–
Proceeds from bank and other borrowings	82,600	147,339
Repayments of bank and other borrowings	(104,609)	(102,764)
Principal elements of lease payments	(202)	–
Acquisition of the Company's shares under share award scheme	–	(2,080)
Net cash generated from financing activities	14,260	42,495
<b>Net increase in cash and cash equivalents</b>	26,379	27,912
Cash and cash equivalents at beginning of the period	471,992	464,590
Exchange difference	1,942	93
<b>Cash and cash equivalents at end of the period</b>	500,313	492,595

The accompanying notes are an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

## 1 General information

The Group is principally engaged in the manufacturing and sales of processed fruit products and trading of fresh fruits.

The Company is an investment holding company incorporated in the British Virgin Islands on 8 September 2011 with limited liability. The address of its registered office is Commerce House, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, British Virgin Islands, VG1110.

The Company has listed its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 July 2015.

These condensed consolidated interim financial information are presented in Renminbi ("RMB"), unless otherwise stated.

### Significant changes in the current reporting period

Substantially all of the Group's operation is based in Mainland China. In view of the outbreak of the coronavirus disease 2019 (COVID-19) (the "pandemic") in Mainland China since January 2020, the Group has adopted various measures in accordance with the relevant national and local regulations on pandemic prevention and control. During the six months ended 30 June 2020, there was a decline in revenue as the Group's production and operation in the PRC were suspended in late January 2020 till late February 2020. The production and operation have gradually resumed afterwards.

Given the uncertainties as to the development of the COVID-19 outbreak at present, it is difficult to predict how long these conditions will persist and the extent to which the business of the Group may be affected for the year ending 31 December 2020. The Group will pay close attention to the development of the pandemic and evaluate its impact on the operation and financial position and results of the Group.

## 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and has been prepared under the historical cost convention as modified by the valuation of investment properties and contingent consideration payable, which are stated as fair value.

## 3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new standards and amendments to HKFRSs effective for the financial year beginning 1 January 2020.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 3 Accounting policies (Continued)

- (a) The following amendments to standards are mandatory for the first time for the financial year beginning on or after 1 January 2020:
- Amendments to HKFRS 3, “Definition of a Business”
  - Amendments to HKFRS 9, HKAS 39 and HKFRS 7, “Interest Rate Benchmark Reform”
  - Amendments to HKFRS 16, “COVID-19 Related Rent Concessions”
  - Amendments to HKAS 1 and HKAS 8, “Definition of Material”
  - Conceptual Framework for Financial Report 2018, “Revised Conceptual Framework for Financial Reporting”

The adoption of amendments to existing standards did not have a significant effect on the financial statements or result in any significant changes in the Group’s accounting policies.

- (b) The following new standard and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Group are in the process of assessing the financial impact of the adoption of the above new standard and amendments. The directors of the Group will adopt the new standard and amendments to standards when they become effective.

## 4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 5 Financial risk management

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no significant changes in the risk management policies since 31 December 2019.

### 5.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding from an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available at all times.

As at 30 June 2020, the Group has contractual undiscounted cash outflow for financial liabilities of RMB265,797,000 (as at 31 December 2019: RMB267,832,000).

The Group holds cash and cash equivalents of RMB500,313,000 (as at 31 December 2019: RMB471,992,000) and trade receivables of RMB135,516,000 (as at 31 December 2019: RMB181,306,000) that are expected to generate cash inflows for managing liquidity risk.

### 5.3 Fair value estimation

#### (a) Financial assets and liabilities

The fair values of the trade and other receivables, restricted cash, cash and cash equivalents, trade and bills payables, accruals and other payables, amount due to a substantial shareholder and amount due to the non-controlling interest approximate their carrying amounts due to their short maturities.

The fair values of the bank and other borrowings approximate their carrying amounts as they bear interest rates that are market dependent.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 5 Financial risk management (Continued)

### 5.3 Fair value estimation (Continued)

(a) *Financial assets and liabilities (Continued)*

The following table presents the Group's financial liabilities that are at fair value at the end of reporting period.

	Level 3 As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
<b>Liability</b>		
Contingent consideration payable	<b>10,170</b>	13,925

There were no transfers between levels 1, 2 and 3 during the period.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(b) *Investment properties*

Judgements and estimates have been made in determining the fair values of the investment properties that are recognised and measured at fair value in the financial statements. All of the fair value measurements of the Group's investment properties were categorised into level 3 of the fair value hierarchy.

Valuation process and technique used to determine level 3 fair values

The Group's investment properties were valued by an independent professional valuer, Roma Appraisals Limited who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued, on an open market value basis at the end of every financial reporting period. For all investment properties, their current use equates to the highest and best use.

Fair value of investment properties is generally derived using the direct comparison method. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration. There was no change to the valuation techniques during the period.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 6 Segment information

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker that are used to making strategic decisions. The chief operating decision-maker is identified as the chief executive officer of the Company.

The chief operating decision-maker assesses the performance of the business based on a measure of profit after income tax and considers the business in a single operating segment. Information reported to the chief operating decision-maker for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment - manufacturing and sales of processed fruit products and trading of fresh fruits, and segment information are not presented.

The Company is domiciled in the British Virgin Islands ("BVI") while the Group operates its businesses in the People's Republic of China ("PRC"). For the six months ended 30 June 2020, the Group's revenue of RMB276,537,000 (for the six months ended 30 June 2019: RMB433,493,000) was generated from domestic and overseas customers based in the PRC and the Group's revenue of RMB29,422,000 (for the six months ended 30 June 2019: RMB24,120,000) was generated from direct overseas customers.

### Segment assets and liabilities

No assets and liabilities are included in the Group's segment reporting that are submitted to and reviewed by the chief operating decision-maker internally. Accordingly, no segment assets and liabilities are presented.

### Information about major customers

No single customer contributed over 10% of the Group's total revenue for the six months ended 30 June 2020 (2019: Nil).

## 7 Revenue, other income and other gains, net

The Group is principally engaged in the manufacturing and sales of processed fruits products and trading of fresh fruits.

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>Revenue recognised at a point in time</b>		
Sales from domestic and overseas customers based in the PRC	<b>276,537</b>	433,493
Sales from direct overseas customers	<b>29,422</b>	24,120
Total sales of goods	<b>305,959</b>	457,613

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 7 Revenue, other income and other gains, net (Continued)

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>Other income</b>		
Government subsidies	143	742
Rental income (Note 15)	272	69
	<b>415</b>	811
<b>Other gains, net</b>		
Fair value gain on investment properties (Note 15)	158	1,500
Fair value change of the contingent consideration payable	3,755	(561)
	<b>3,913</b>	939

## 8 Operating profit

An analysis of the amounts presented as operating items in the interim condensed consolidated statement of comprehensive income is as below:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Auditors' remuneration	1,240	1,219
Cost of inventories sold	204,014	304,221
Depreciation of property, plant and equipment (Note 13)	10,369	10,160
Depreciation of right-of-use assets	1,154	857
Employee benefit expenses (including directors' emoluments)	17,359	24,699
Lease expenses	–	222
Foreign exchange loss/(gain)	1,988	(119)
Land taxes, surcharges and other taxes	2,854	2,495
Net reversal of impairment on financial assets	(177)	–

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 9 Finance income/(costs) – net

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>Finance income</b>		
Interest income on short-term bank deposits	7,674	794
<b>Finance costs</b>		
Interest expenses on bank and other borrowings	(4,983)	(4,240)
Interest expenses paid to a substantial shareholder	(180)	(2,482)
Interest expenses on lease liabilities	(14)	–
	<b>(5,177)</b>	<b>(6,722)</b>
<b>Finance income/(costs) – net</b>	<b>2,497</b>	<b>(5,928)</b>

### 10 Income tax expense

The Company is incorporated in the BVI under the Business Companies Act of the BVI and, accordingly, are exempted from the BVI income tax.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

PRC corporate income tax has been provided at the rate of 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC corporate income tax purpose. Certain subsidiaries of the Group are entitled to preferential tax incentives in the cities where the subsidiary is located.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on any dividends distributable by its subsidiaries established in the PRC.

At 30 June 2020, the undistributed profits of the Group's subsidiaries in the PRC that subject to the temporary differences amounted to RMB754,942,000 (2019: RMB666,176,000).

Deferred tax liabilities have not been recognised for the retained earnings of its subsidiaries as at 31 December 2017 as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed by these subsidiaries in the foreseeable future. Therefore the retained earnings before 2017 would be retained for future development of its subsidiaries in the PRC. The Group has recognised PRC withholding tax on certain portion of profits since 2018.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 10 Income tax expense (Continued)

The amount of taxation charged to the condensed consolidated interim statement of comprehensive income represents:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>Current income tax</b>		
PRC corporate income tax	14,763	24,332
<b>Withholding tax relating to PRC subsidiaries</b>		
Provision for the period	544	714

### 11 Dividends

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Final dividend declared during the period:		
2019 final dividend declared HK\$0.030 per ordinary share (2018: HK\$0.027 per ordinary share)	26,333	22,583
Interim dividend declared subsequent to the period end:		
2020: nil (2019: HK\$0.018 per ordinary share)	–	15,483

On 24 June 2020, the shareholders of the Company approved a final dividend of HK\$0.030 per ordinary share for the year ended 31 December 2019 to the shareholders of the Company whose names appeared on the Register of Members of the Company on 8 July 2020.

The final dividend in the aggregate amount of HK\$29,323,860 (equivalent to approximately RMB26,333,000) was paid on 29 July 2020.

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 12 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of RMB47,772,000 (for the six months ended 30 June 2019: RMB70,297,000) and the weighted average of 984,043,000 ordinary shares after adjusting for weighted average number of issuable shares of which conditions are satisfied under the contingent consideration scheme arrangement and weighted average shares held under shares award scheme (for the six months ended 30 June 2019: 978,418,000 ordinary shares).

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of RMB47,540,000 after adjusting for the fair value change of the respective issuable shares under the contingent consideration scheme arrangement (for the six months ended 30 June 2019: RMB70,297,000) and the weighted average number of ordinary shares of 984,642,000, after adjusting the effect of deemed issuance of issuable shares from the beginning of the period (for the six months ended 30 June 2019: 979,837,000 shares, after adjusting the effect of deemed issuable share form the beginning of the period and dilutive share option).

## 13 Property, plant and equipment

	Buildings and leasehold improvements RMB'000	Furniture and fixtures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Six months ended 30 June 2020 (Unaudited)</b>							
<b>Opening amount as at 1 January 2020</b>							
Net book value	225,567	252	47,603	2,631	2,661	7,721	286,435
Additions	19,570	-	706	-	1,615	32,448	54,339
Depreciation (Note 8)	(6,258)	(33)	(3,369)	(231)	(478)	-	(10,369)
Transfer in/(out)	5,782	-	801	-	-	(7,721)	(1,138)
<b>Closing amount as at 30 June 2020</b>	<b>244,661</b>	<b>219</b>	<b>45,741</b>	<b>2,400</b>	<b>3,798</b>	<b>32,448</b>	<b>329,267</b>
<b>Six months ended 30 June 2019 (Unaudited)</b>							
<b>Opening amount as at 1 January 2019</b>							
Net book value	205,019	225	48,205	3,062	2,450	3,206	262,167
Additions	286	2	573	-	100	4,281	5,242
Depreciation (Note 8)	(6,353)	(30)	(3,155)	(196)	(426)	-	(10,160)
<b>Closing amount as at 30 June 2019</b>	<b>198,952</b>	<b>197</b>	<b>45,623</b>	<b>2,866</b>	<b>2,124</b>	<b>7,487</b>	<b>257,249</b>

Construction in progress as at 30 June 2020 mainly comprised building and leasehold improvements, and plant and machinery under construction in the PRC (as at 31 December 2019: Same).

As at 30 June 2020, the net book value of buildings of RMB71,183,000 (as at 31 December 2019: RMB73,159,000) was pledged to secure bank borrowings granted to the Group (Note 19).

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 14 Trade and other receivables

	Note	As at	
		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade receivables		136,030	181,997
Less: loss allowance of trade receivables	(b)	(514)	(691)
Trade receivables, net	(a)	135,516	181,306
Prepayments	(c)	63,966	33,918
Other receivables	(c)	4,369	2,359
		203,851	217,583
Less: non-current portion			
Prepayment for property, plant and equipment		(30,000)	(30,000)
Current portion		173,851	187,583

#### (a) Trade receivables

The Group's credit terms granted to customers generally ranged from 30 to 60 days (as at 31 December 2019: 30 to 60 days). The ageing analysis of the trade receivables, net of loss allowance based on invoice date is as follows:

	As at	
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Less than 30 days	68,328	111,472
31 to 60 days	61,835	69,805
61 to 90 days	5,353	29
	135,516	181,306

The carrying amounts of these trade receivables approximate their fair value.

#### (b) Impairment of trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables. The Group also continuously monitors the credit risks by assessing the credit quality of respective counterparties, taking into account its financial position, past experience and other factors. When necessary, the Group will make specific provision for those balances which cannot be recovered apart from the general provision arise from the expected credit loss model.

#### (c) Prepayments and other receivables

The carrying amounts of prepayments and other receivables approximate their fair values. The prepayments and other receivables are mainly denominated in RMB. Other receivables does not contain impaired assets.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 15 Investment properties

	As at	
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Opening balance at 1 January	30,300	34,100
Transfer from property, plant and equipment	342	364
Fair value change (Note 7)	158	(4,164)
	<b>30,800</b>	30,300

#### Amounts recognised in profit or loss for investment properties

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Rental income (Note 7)	272	69
Fair value gain recognised	158	1,500

#### Principal investment properties

Location	Approximate gross floor area (square meter)	Category of the lease term
Northside of Fenghuang Main Street, Westside of Wenquan Road, Linyi City, Shandong Province, the PRC	5,917 m <sup>2</sup> (as at 31 December 2019: 5,825 m <sup>2</sup> )	Land use rights for a term expired 18 April 2057

All of the fair value measurements of the Group's investment properties were categorised into level 3 of the fair value hierarchy.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 16 Share capital

### Authorised ordinary shares

Under the BVI Companies Act, there is no concept of authorised capital. The Company is authorised to issue an unlimited number of shares and the shares do not have any par value.

### Issued and fully paid ordinary shares

	Number of ordinary share	Share capital HK\$'000	Equivalent share capital RMB'000
<b>As at 1 January 2020</b>	977,462,000	219,006	168,437
Dividend declared relating to 2019	–	(29,324)	(26,333)
<b>As at 30 June 2020</b>	977,462,000	189,682	142,104
<b>As at 1 January 2019</b>	977,462,000	262,951	207,383
Dividend declared relating to 2018	–	(26,391)	(22,583)
<b>As at 30 June 2019</b>	977,462,000	236,560	184,800

### Share Option Scheme

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

Expiry date	Exercise price in HK\$ per share option	Number of share options (thousand)				
		As at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2020
31 December 2020	HK\$1.70	1,500	–	–	–	1,500
31 December 2021	HK\$0.97	3,850	–	–	–	3,850

Notes:

- 3,000,000 share options at an exercise price of HK\$1.70 each and 7,700,000 share options at an exercise price of HK\$0.97 each were granted on 6 October 2015 and 21 April 2016 respectively.
- For the six months ended 30 June 2020, no share options were lapsed (for the six months ended 30 June 2019: Nil).
- For the six months ended 30 June 2020, no share option expense was recognised and included in employee benefit expenses (for the six months ended 30 June 2019: Nil).
- Except for the shares acquired under the share award scheme in 2019, during the period ended 30 June 2020, no shares are re-purchased.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 16 Share capital (Continued)

### Share Award Scheme

On 4 September 2018, the Board approved the adoption of a share award scheme (the “Share Award Scheme”) to award the Company’s shares (“Awarded Shares”) to eligible employees within the Group. Under the Share Award Scheme, a trustee is appointed to acquire the Company’s own shares on The Stock Exchange of Hong Kong Limited.

The trustee shall hold such shares on trust for the eligible grantees until they are vested. When the relevant eligible grantee has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the shares, the trustee shall transfer the relevant Awarded Shares to that grantee. For grantees who cease employment with the Group before vesting, the unvested shares are forfeited. The forfeited shares held by the trustee of the Share Award Scheme may be granted to other awardees after taking into consideration of the Board’s recommendation.

The trustee started to acquire the Company’s shares during the six months ended 30 June 2019. There were no awarded shares granted, forfeited or vested during the six months ended 30 June 2020.

The number of shares acquired and the amounts paid for the acquisitions for the six months ended 30 June 2020 are presented below:

	Number of shares ‘000	Amount paid RMB‘000
<b>At 1 January 2019</b>	–	–
Purchase during the period	2,216	2,080
Shares vested during the period	–	–
<b>At 30 June 2019, 1 January 2020 and 30 June 2020</b>	2,216	2,080

The Group acquired 2,216,000 of its own shares through the trustee of the Share Award Scheme from open market from 3 January 2019 to 25 January 2019 at the average price of HK\$1.13. The total amount paid to acquire the shares was HK\$2,499,000 (equivalent to RMB2,080,000) and the balance was classified as “Shares held under share award scheme” in the reserve as at 30 June 2020.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 17 Trade and bills payables

	As at	
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade payables	16,494	26,552
Bills payables	10,000	2,514
	<b>26,494</b>	29,066

As at end of the period, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at	
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Less than 30 days	7,269	21,592
31 to 90 days	6,632	3,103
91 to 180 days	1,153	2,291
181 to 365 days	10,994	271
Over 365 days	446	1,809
	<b>26,494</b>	29,066

The carrying amounts of trade and bills payables approximate their fair values and are denominated in RMB.

### 18 Accruals and other payables

	As at	
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Accrued employee benefit expenses	7,512	10,095
Land taxes, surcharges and other taxes payables	2,667	4,772
Other payables for purchases of property, plant and equipment	1,068	625
Others	8,096	7,107
	<b>19,343</b>	22,599

The carrying amounts of accruals and other payables approximate their fair values.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 19 Bank and other borrowings

The Group's bank and other borrowings were repayable as follows:

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Bank borrowings RMB'000	Other loan RMB'000	Total RMB'000	Bank borrowings RMB'000	Other loan RMB'000	Total RMB'000
Within 1 year	155,153	27,403	182,556	176,571	26,874	203,445

Movements in bank and other borrowings are analysed as follows:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Opening amount at 1 January	203,445	157,769
New bank and other borrowings obtained	82,600	147,339
Repayments of borrowings	(104,609)	(102,764)
Foreign exchange translation	1,120	217
Closing amount at 30 June	182,556	202,561

Interest expenses on bank and other borrowings for the six months ended 30 June 2020 are approximately RMB4,983,000 (for the six months ended 30 June 2019: RMB4,240,000), the Group has no qualifying assets qualified for capitalising borrowings costs for the six months ended 30 June 2020 and 2019.

### 20 Contingencies

The Group did not have any material contingent liabilities as at 30 June 2020 and 31 December 2019.

### 21 Commitments

#### (i) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As at	
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Property, plant and equipment	50,207	49,255

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 21 Commitments (Continued)

### (ii) Operating lease commitments

#### (a) As lessor

The Group leases its investment properties (Note 15) under operating lease arrangements with leases generally negotiated for terms of less than one year. The terms of the leases generally also require the tenants to pay security deposits and may provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2020, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at	
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Not later than 1 year	534	101

#### (b) As lessee

From 1 January 2019, the Group has recognised right-of-use assets for operating lease agreements except for short-term and low-value leases.

## 22 Related party transactions

- (a) The directors are of the view that the following companies were related parties that had balances with the Group:

Name of the related parties	Principal business activities	Relationship with the Group
Wealthy Active Limited	Investment holding in the British Virgin Islands	Substantial Shareholder
Sichuan Yizhan Enterprise Co., Ltd (四川怡展實業有限公司)	Manufacturing and trading business in the PRC	Non-controlling interest of a subsidiary

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 22 Related party transactions (Continued)

### (b) Balances with related parties

The Group had the following material non-trade balances with related parties:

	As at	
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Amount due to a substantial shareholder – Wealthy Active Limited	57,774	20,301
Amount due to the non-controlling interest – Sichuan Yizhan Enterprise Co., Ltd	–	103

### (c) Transaction with a related party

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Interest paid or payable to a substantial shareholder – Wealthy Active Limited	180	2,482

As at 30 June 2020, amount due to a substantial shareholder was unsecured, with interest at Hong Kong Interbank Offered Rate and repayable on demand (as at 31 December 2019: same). The carrying amount of amount due to a substantial shareholder approximates its fair value and is denominated in HKD.

### (d) Key management compensation

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Basic salaries, allowances and benefits in kind	2,328	2,239
Social security costs	44	43
Defined contribution – MPF	33	31
	2,405	2,313

## Other Information

### Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2020, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### Interests or Short Positions of Directors and the Chief Executive in Shares, Underlying Shares and Debentures of the Company or the Associated Corporations

As at 30 June 2020, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

### Long Position in Ordinary Shares and Underlying Shares of the Company

Name of Directors	Capacity/Nature of interest	Number of shares held	Approximate percentage of total issued share capital
Mr. Yang Ziyuan	Interest of a controlled corporation	191,702,260 (Note 1)	19.61%
Ms. Chu Yinghong	Interest of spouse	191,702,260 (Note 2)	19.61%
Mr. Sun Xingyu	Interest of a controlled corporation	110,000,000 (Note 3)	11.25%

Notes:

1. The shares are held by Wealthy Active Limited and is wholly-owned by Mr. Yang Ziyuan. Mr. Yang Ziyuan is deemed to be interested in these shares under the SFO.
2. Ms. Chu Yinghong is the spouse of Mr. Yang Ziyuan and is deemed to be interested in the shares held by Mr. Yang Ziyuan.
3. The shares are held by Wealthy Maker Limited and is wholly-owned by Mr. Sun Xingyu. Mr. Sun Xingyu is deemed to be interested in these shares under the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Other Information (Continued)

### Interests and Short Positions of the Substantial Shareholders in Shares and Underlying Shares of the Company

As at 30 June 2020, so far as is known to the Directors or chief executive of the Company, the following persons or corporations other than Directors or chief executive of the Company, who had an interest or short position of 5% or more in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under section 336 of the SFO, were as follows:

#### Long Position in the Shares of the Company

Name of Shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of total issued share capital
Sichuan Development International Holding Company Ltd. (Note 1)	Beneficial owner	263,914,740	27.00%
Wealthy Active Limited (Note 2)	Beneficial owner	191,702,260	19.61%
Wealthy Maker Limited (Note 3)	Beneficial owner	110,000,000	11.25%
Sino Red Limited (Note 4)	Beneficial owner	73,467,000	7.52%

#### Notes:

1. 四川發展國際控股有限公司 (Sichuan Development International Holding Company Ltd.) is wholly-owned by 四川發展(控股)有限責任公司 (Sichuan Development Holding Company Ltd.).
2. Wealthy Active Limited is a company incorporated in the BVI and is wholly-owned by Mr. Yang Ziyuan.
3. Wealthy Maker Limited is a company incorporated in the BVI and is wholly-owned by Mr. Sun Xingyu.
4. Sino Red Limited is a company incorporated in the BVI and is wholly-owned by Ocean Equity Partners Fund L.P.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, no other person (other than the Directors and chief executive of the Company) had any interest and short positions in the shares and underlying shares of the Company which were or required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required under section 336 of the SFO as at 30 June 2020.

## Other Information (Continued)

### Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") with effect from 7 July 2015 ("Listing Date").

The Share Option Scheme is a share incentive scheme and is established to enable the Company to grant options to the eligible participants as set out below as incentives or rewards for their contribution they had or may have made to the Group.

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine to the following eligible participants:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
- (iv) any such other persons who in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the global offering, being 100,000,000 Shares.

Unless approved by the Shareholders, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant.

Upon acceptance of the option, the grantee shall pay HK\$1.00 (or an equivalent amount in RMB) to the Company by way of consideration for the grant.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will be at least the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; and
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted.

The Share Option Scheme remains effective for a period of ten years commencing from 16 June 2015. Additional information of the Share Option Scheme are set out in note 16 to the condensed consolidated interim financial information.

## Other Information (Continued)

Movements of the Company's share options during the Review Period were as follows:

Grantee	Outstanding at 01/01/2020	Exercised during the six months ended 30/06/2020	Lapsed during the six months ended 30/06/2020	Outstanding at 30/06/2020	Date of Grant	Exercise period	Exercise price (HK\$)	Price of the Company's share immediately before the grant date (HK\$)
Key management	255,000	-	-	255,000	06/10/2015	Note 1	1.70	1.70
Other Employees	1,245,000	-	-	1,245,000	06/10/2015	Note 1	1.70	1.70
	1,500,000	-	-	1,500,000				
Key management	705,000	-	-	705,000	21/04/2016	Note 2	0.97	0.93
Other Employees	3,145,000	-	-	3,145,000	21/04/2016	Note 2	0.97	0.93
	3,850,000	-	-	3,850,000				
Total	5,350,000	-	-	5,350,000				

### Notes:

1. The validity periods to exercise the share options are as follows:
  - (a) 50% of the share options shall be exercisable during the period from 1 January 2016 to 31 December 2018 (upon vesting of the same on 31 December 2015 on the condition that the relevant grantee is still the employee of the Group at the material time);
  - (b) 25% of the share options shall be exercisable during the period from 1 January 2017 to 31 December 2019 (upon vesting of the same on 31 December 2016 on the condition that the relevant grantee is still the employee of the Group at the material time); and
  - (c) 25% of the share options shall be exercisable during the period from 1 January 2018 to 31 December 2020 (upon vesting of the same on 31 December 2017 on the condition that the relevant grantee is still the employee of the Group at the material time).
2. The validity periods to exercise the share options are as follows:
  - (a) 50% of the share options shall be exercisable during the period from 1 January 2017 to 31 December 2019 (upon vesting of the same on 31 December 2016 on the condition that the relevant grantee is still the employee of the Group at the material time);
  - (b) 25% of the share options shall be exercisable during the period from 1 January 2018 to 31 December 2020 (upon vesting of the same on 31 December 2017 on the condition that the relevant grantee is still the employee of the Group at the material time); and
  - (c) 25% of the share options shall be exercisable during the period from 1 January 2019 to 31 December 2021 (upon vesting of the same on 31 December 2018 on the condition that the relevant grantee is still the employee of the Group at the material time).
3. No share option was cancelled during the Review Period.

## Other Information (Continued)

### Share Award Scheme

On 30 March 2016, to provide incentives to the selected participants (including, inter alia, directors, employees, officers, agents or consultants of the Company or any of its subsidiaries) and allow the Group to attract and retain talents for the continued operation and development of the Group, the Board has resolved to adopt the share award scheme (the "Share Award Scheme"). During the Review Period, no share was granted under the Share Award Scheme.

### Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020.

### Compliance with the Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance since the Listing Date.

Under code provision A.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yang Ziyuan is our chief executive officer, and he also acts as the chairman of our Board as he has considerable experience in the fruit processing industry. The Board believes that vesting the roles of both the chairman of our Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group.

Besides, all major decisions have been made in consultation with members of the Board and appropriate Board committees. In addition, Directors are encouraged to participate actively in all Board and Board committee meetings of which they are members, and the Chairman ensures that all issues raised are properly briefed and adequate time is available for discussion at the Board meetings. The Board is therefore of the view that there are adequate balance of power and safeguards in place. Nevertheless, the Board will continue to regularly monitor and review the Group's current structure and to make necessary changes at an appropriate time.

Save for the aforesaid, the Board is of the view that the Company has complied with the code provisions as set out in the CG Code during the Review Period and up to the date of this report.

### Compliance with the Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code. In response to a specific enquiry by the Company, all Directors confirmed that they have complied with the requirements of the Model Code during the Review Period and up to the date of this report.

## Other Information (Continued)

### Audit Committee

The Company has established an Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee is to serve as a focal point for communication between other directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, to satisfy themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits. The primary duties of the Audit Committee are (i) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal and (ii) to monitor the integrity of financial statements of the Company and the Company's annual report and accounts and interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein. The Audit Committee comprises three independent non-executive directors, namely Mr. O'Yang Wiley (chairman), Mr. Liang Zhongkang and Prof. Lu Yuanping.

### Review of Interim Results

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 have been reviewed by the Audit Committee and the Group's external auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Based on this review and discussions with the management, the Audit Committee was satisfied that the unaudited condensed consolidated interim financial information was prepared in accordance with the applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2020.

### Subsequent Change after 30 June 2020

There were no significant changes in the Group's financial position or from the information disclosed in this report subsequent to 30 June 2020 and up to the date of this report.

### Publication and Despatch of the Interim Report

This interim report is published on the websites of the Stock Exchange and the Company (<http://www.tianyuninternational.com>) and despatched to shareholders of the Company.

### Acknowledgement

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our shareholders and investors for their support and our customers for their patronage.

On behalf of the Board

**Yang Ziyuan**

*Chairman and Chief Executive Officer*

Hong Kong, 26 August 2020