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## **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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **HIGHLIGHTS**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>
<b>Key financial data</b>		
Revenue	<b>355.6</b>	328.7
Gross profit	<b>99.8</b>	87.2
Gross profit margin	<b>28.1%</b>	26.5%
Net profit	<b>143.0</b>	53.3

- Revenue increased by 8.2% to RMB355.6 million as compared with the corresponding period in 2022
- Gross profit increased by 14.4% to RMB99.8 million as compared with the corresponding period in 2022
- Gross profit margin increased to 28.1%
- Net profit increased by 168.3% to RMB143.0 million as compared with the corresponding period in 2022

The board of directors (the “Directors” or the “Board”) of Tianyun International Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2023, together with the unaudited comparative figures for the corresponding period in 2022, as follows:

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 30 June 2023*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	<b>355,570</b>	328,741
Cost of sales		<b>(255,739)</b>	(241,546)
<b>Gross profit</b>		<b>99,831</b>	87,195
Other income, net		<b>524</b>	167
Other gain, net		<b>106,481</b>	–
Selling and distribution expenses		<b>(8,758)</b>	(4,714)
Research and development expenses		<b>(12,006)</b>	(10,811)
General and administrative expenses		<b>(26,267)</b>	(16,579)
<b>Operating profit</b>		<b>159,805</b>	55,258
Finance income		<b>6,202</b>	8,311
Finance costs		<b>(3,303)</b>	27
<b>Finance income – net</b>		<b>2,899</b>	8,338
<b>Profit before income tax</b>		<b>162,704</b>	63,596
Income tax expense	5	<b>(19,751)</b>	(10,255)
<b>Profit and total comprehensive income, net of tax for the period</b>		<b>142,953</b>	53,341
<b>Profit and total comprehensive income attributable to equity holders of the Company for the period</b>		<b>142,953</b>	53,341
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in RMB dollar)			
– Basic and diluted earnings per share	6	<b>0.14</b>	0.05

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2023*

		30 June 2023 (Unaudited) <i>RMB'000</i>	31 December 2022 (Audited) <i>RMB'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		124,225	125,976
Property, plant and equipment		328,875	298,837
Investment properties		29,700	29,800
Prepayments	8	96,000	96,075
<b>Total non-current assets</b>		<b>578,800</b>	550,688
<b>Current assets</b>			
Inventories		47,358	39,063
Financial instrument at fair value		16,581	–
Trade receivables, prepayments and other receivables	8	183,732	123,117
Cash and cash equivalents		690,991	659,630
<b>Total current assets</b>		<b>938,662</b>	821,810
<b>Total assets</b>		<b>1,517,462</b>	1,372,498
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the Company			
Share capital	9	113,080	158,929
Reserves		1,113,565	970,612
<b>Total equity</b>		<b>1,226,645</b>	1,129,541

		<b>30 June</b>	31 December
		<b>2023</b>	2022
		<b>(Unaudited)</b>	(Audited)
<i>Note</i>		<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
		<b>8,228</b>	7,633
		<b>4,078</b>	–
		<b>12,306</b>	7,633
<b>Current liabilities</b>			
	<i>10</i>	<b>64,723</b>	10,616
		<b>28,929</b>	25,259
		<b>38,921</b>	116,649
		<b>80,736</b>	75,011
		<b>138</b>	322
		<b>45,849</b>	–
		<b>19,215</b>	7,467
		<b>278,511</b>	235,324
		<b>1,517,462</b>	1,372,498

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards and has been prepared under the historical cost convention as modified by the valuation of investment properties, which are stated as fair value.

### 2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

### 3 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 and beverage 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 business in the People’s Republic of China (“PRC”). For the six months ended 30 June 2023, the Group’s revenue of approximately RMB342,419,000 (six months ended 30 June 2022: approximately RMB311,305,000) was generated from domestic and overseas customers which are based in the PRC and the Group’s revenue of approximately RMB13,151,000 (six months ended 30 June 2022: approximately RMB17,436,000) was generated from direct sales to 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 2023 (2022: Nil).

## 4 REVENUE

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Revenue recognised at a point in time</b>		
Domestic sales	342,419	311,305
Direct overseas sales	13,151	17,436
	<u>355,570</u>	<u>328,741</u>
Total revenue	<u>355,570</u>	<u>328,741</u>

## 5 INCOME TAX EXPENSE

The Company is incorporated in the BVI under the Business Companies Act of the BVI and is 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 2023 (six months ended 30 June 2022: 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. Shandong Tiantong Food Co., Ltd., one of the subsidiaries of the Group, has been approved as High and New Technology Enterprise and is entitled to a preferential corporate income tax rate of 15% for the period from 28 November 2019 to 27 November 2022 and further extended from 12 December 2022 to 11 December 2025.

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 Mainland China. 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 Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% (six months ended 30 June 2022: 5%). The Group is therefore liable for withholding taxes on any dividends distributable by its subsidiaries established in the Mainland China.

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 Mainland China. The Group has recognised PRC withholding tax since the year ended 31 December 2018.

The income tax expense of the Group for the periods is analysed as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current income tax	<u>10,156</u>	<u>9,685</u>
Withholding tax relating to PRC subsidiaries provision for the period	<u>9,595</u>	<u>570</u>

## **6 EARNINGS PER SHARE**

### **Basic and diluted**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
Profit attributable to equity holders of the Company (RMB'000)	<u>142,953</u>	<u>53,341</u>
Weighted average number of ordinary shares in issue (thousand)	<b>990,512</b>	990,512
Less: weighted average number of shares held under share award scheme (thousand)	<u>(2,216)</u>	<u>(2,216)</u>
	<u>988,296</u>	<u>988,296</u>
Basic and diluted earnings per share (RMB dollar)	<u>0.14</u>	<u>0.05</u>

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares after adjusting for weighted average number of shares held under shares award scheme.

There is no potential dilutive share issued during both periods.

## **7 DIVIDENDS**

On 29 June 2023, the shareholders of the Company approved a final dividend in respect of the year ended 31 December 2022 of approximately RMB45.8 million, representing HK\$0.05 per ordinary share, at the annual general meeting of the Company. Such final dividend had not yet been paid as at 30 June 2023.

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (2022: same).

## 8 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Note</i>	<b>As at</b>	
		<b>30 June 2023 (Unaudited) RMB'000</b>	<b>31 December 2022 (Audited) RMB'000</b>
Trade receivables		<b>182,601</b>	118,662
Less: loss allowance of trade receivables	(b)	<b>(4,029)</b>	(2,655)
Trade receivables, net	(a)	<b>178,572</b>	116,007
Prepayments and deposit	(c)	<b>98,016</b>	100,961
Other receivables	(c)	<b>3,144</b>	2,224
Total trade receivables, prepayments and other receivables		<b>279,732</b>	219,192

### (a) Trade receivables

The Group's credit terms granted to wholesale customers generally ranged from 30 to 60 days (as at 31 December 2022: 30 to 60 days). The ageing analysis of the trade receivables, net of loss allowance based on invoice date is as follows:

	<b>As at</b>	
	<b>30 June 2023 (Unaudited) RMB'000</b>	<b>31 December 2022 (Audited) RMB'000</b>
Less than 30 days	<b>98,231</b>	39,736
31 to 60 days	<b>79,502</b>	76,271
61 to 90 days	<b>414</b>	–
91 to 180 days	<b>422</b>	–
181 to 365 days	<b>3</b>	–
	<b>178,572</b>	116,007

The carrying values of trade receivables approximate their fair value. The Group does not hold any collateral as security.

**(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 do not contain impaired assets.

**9 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**

	<b>Number of ordinary shares</b>	<b>Share capital <i>HK\$'000</i></b>	<b>Equivalent share capital <i>RMB'000</i></b>
As at 1 January 2022 (audited), 31 December 2022 (audited)	990,512,000	209,649	158,929
Dividends paid relating to 2022	—	(49,526)	(45,849)
As at 30 June 2023	<u>990,512,000</u>	<u>160,123</u>	<u>113,080</u>

## 10 TRADE PAYABLES

	As at	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade payables	<u>64,723</u>	<u>10,616</u>

The Group's credit terms granted to trade payables generally ranged from 30 to 60 days (as at 31 December 2022: 30 to 60 days).

As at the end of the reporting period, the ageing analysis of the trade payables based on invoice date were as follows:

	As at	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Less than 30 days	55,632	4,266
31 to 90 days	5,206	1,723
91 to 180 days	1,276	1,993
181 to 365 days	692	2,634
Over 1 year	<u>1,917</u>	<u>–</u>
	<u>64,723</u>	<u>10,616</u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

In the first half of 2023, the global economy was still affected by many uncertain factors such as high inflation, tense geopolitical situation and soaring public debt rate. It is forecasted by the International Monetary Fund (IMF) that the growth rate of the global economy for 2023 will slow down to 2.8% and advanced economies are expected to see an especially pronounced growth slowdown. Nevertheless, it is forecasted by IMF that China's economic growth will rebound to 5.2% in 2023. China can still achieve its full potential as the world's largest consumer market despite the influence of many uncertain external factors. In the first half of 2023, China's GDP increased by 5.5% as compared with the same period last year with the total retail sales of consumer goods increased by 8.2% year-on-year. With the economy and society fully recovering to normal and the effective implementation of the macroeconomic policies, the national economy is recovering well and high quality development is advancing steadily. It is expected that the domestic consumer market will continue to recover. Complemented by the series of policies implemented by the Central Government to boost domestic demand, and restore and expand consumption, the role of "consumption" as the driving force of economic growth will be more significant.

During the Review Period, the overall business of the Group remained stable and healthy and the Group continued to focus on creating value, improving risk management and control capabilities and enhancing operational efficiency, so as to boost the Group's revenue and profitability, as well as to seize the opportunities brought by the gradual restoration of the market's purchasing power. The Group has been committed to expanding its sales network, strengthening its R&D and adding innovative elements to its existing products, with an aim to introduce more diversified and healthier fruit products and specialty beverages to the market. In the first half of 2023, the Group recorded steady progress in its sales performance and continuous improvement in its results and the overall financial condition remained solid. The Group also continued to comprehensively enhance its product mix, its own brand series and its operation capability, driving the sustainable development of the Company.

As a socially responsible enterprise, the Group is committed to upholding ESG principles for sustainable development in green products, talents, corporate governance, and green and low-carbon development, and leading the industry in carrying out quality development. Aligning with China's "dual carbon" target, the Group has fulfilled our corporate social responsibility. During the period, Mr. Yang Ziyuan, the Chairman and Chief Executive Officer of the Group, was awarded one of Forbes China's "2023 GBA ESG Entrepreneur 30". We aim to achieve our ESG development goals by fully integrating ESG elements into our operations and business development and collaborating with our stakeholders.

## **OWN BRAND AND OEM BUSINESS**

As a company that has continuously won the title of National High-Tech Enterprise, the Group owns various inventions, utility models and appearance design patents. By comprehensively promoting product R&D and innovation, actively exploring new product lines, enriching product mix and enhancing the technological level of food production, the Group aims to offer high quality and diversified products to consumers in China and abroad, as well as to realize business growth.

The Group's series of own brand products have successfully gained a good reputation in the market, achieving impressive results. With the increasing awareness of public health, the market demand for sports beverages is on the rise. According to the "Healthy China 2030 Planning Outline" issued by the State Council of China, it is expected that by 2030, the number of people regularly participating in sports and fitness training in China will reach 530 million. As the number of people participating in sports and fitness training continues to increase, it is anticipated that the sports beverage market continues to expand, and the drinking scenarios are becoming more everyday-oriented, which can drive continuous growth in sales. According to the data from iiMedia Research, the Chinese sports beverage market is projected to reach approximately RMB21.6 billion by 2024. In light of this, the Group has successfully developed vitamin sports beverages with fruit granules and fruit enzyme sports beverages, offering consumers with high quality sports drink products for nutritional supplementation and maintaining physical health.

In order to allow consumers to fully experience the fresh energy elements of the Group's innovative fruit granular sports drinks, the Group successfully held the "New '享派Shiok Party' Fresh Fruit Sports Beverage Series Launch Event and Beverage Tasting Activity in Greater China" in May this year. The event was supported by accomplished guests and renowned sports superstars, and in particular, the Group was honoured to have Mr. Li Dashuang, President of Hubei Provincial Gymnastics Association and former member of the National Gymnastics Team; and Mr. Li Xiaoshuang, former member of the National Gymnastics Team and Olympic gold medalist, as product endorsers. As renowned athletes, they helped consumers to understand the importance of sports beverages in sports and actively promoted a healthy lifestyle, bringing valuable experiences and insights into sports, sports beverages, and sports development. The Group is confident in bringing high quality and healthy sports beverages to the Chinese sports beverage market and together creating a premium Chinese sports beverage brand.

Meanwhile, in order to cope with the ever-changing market demand and cater for the needs of consumers, we continue to boost the brand image of the Group's own brand, enhance its product quality, upgrade the packaging of products and introduce more fashion and leisure elements to the products, with an aim to provide consumers with more diversified and trendy packaged products, as well as de-seasonal products, while enriching our product lines. In addition, the Group seized the opportunity to cultivate and optimize marketing layout by strengthening its interaction with consumers through various promotional activities and exhibitions, as well as boosting the image of its own brand and product sales.

The Group's OEM business continued to provide a stable source of income with seamless cooperation with renowned international food brands. As the global market's appetite for processed fruit products made in China remains massive, the Group's OEM business currently has its presence in five continents with increasingly global customer base from international renowned brands in the UK, Europe, Canada, the US, Australia, New Zealand, Southeast Asia and Japan. Looking forward, the Group will strive to open up more opportunities for strategic cooperation and drive the development of our OEM business.

## **TRADING OF FRESH FRUITS AND OTHERS**

The Group has been actively developing domestic and cross-border fresh fruit sales channels, while promoting more sales, processing and trading of fresh fruits from different origins of both domestic and overseas markets, in order to bring a richer and more diversified variety of quality fruits and processed fruits to the consumers at large. Meanwhile, the Group actively looked for business partners of reputable brands at home and abroad, while expanding business cooperation associated with fresh fruits and establishing closer relationships with existing clients, so as to further enhance the development outlook for the Group's business.

## **EXPANSION OF PRODUCTION CAPACITY**

In order to cater for the increasing market demand, the Group has been actively planning the expansion of production capacity, of which the production base in Shandong has been continuously improving its production facilities and enhanced automation. The newly-built No. 5 and No. 6 production workshops have gradually been put into operation, which will significantly enhance the production capacity of the Group. In addition, it is expected that the Group's Yunnan production base in Mile Green Food Processing Park of Honghe Prefecture will start to be put into partial use by the end of 2023. With a site area of over 130,000 square metres and total designed annual production capacity of 90,000 tonnes, Yunnan production base is expected to be an important infrastructure for the Group's development in China's tropical climate region, while comprehensively expanding the Group's total production capacity as well as facilitating convenience for warehousing and logistics arrangements across China. It is expected that after Yunnan production base is completed and put into production, it can achieve synergies with Shandong production base to significantly enhance the production and sales of the Group's tropical, subtropical and temperate processed fruit products and specialty beverages.

## **RESEARCH & DEVELOPMENT AND INNOVATION**

Following the success of the first drink series launched under the Group's own brand “享派 Shiok Party”, the Group successfully launched a new series of “享派 Shiok Party” fresh fruit sports beverages in the second quarter of this year, which fully upgraded the “享派 Shiok Party” products in terms of flavour, taste and packaging and has become the first sports beverage product in the market that contains fruit granules. Products are made based on the theory of modern nutriology and sports medicine, providing nutritional supplementation to drinkers and keeping them healthy. It is believed that the product will lead a new trend in China's fresh fruit sports beverage products, demonstrating the Group's outstanding performance in technological innovation and sustainable development.

During the period, we have been, and are continuing to, conduct research on and develop new processed fruit products and specialty beverages, in order to satisfy and suit the tastes and demands of different consumer groups, particularly the younger consumers. Various new products, including fruit enzyme beverages, are in the preparatory stage of production and sales. It is expected that those products will be launched to the market shortly, offering more diversified options for the market and consumers.

## **MERGER AND ACQUISITION AND STRATEGIC PARTNERSHIP**

In the future, the Group will continue to look for suitable opportunities for mergers and acquisitions and strategic partnerships to bring our quality, healthy and diversified processed fruit products and specialty beverages to China and overseas market, strengthen the Group's market competitiveness and further broaden its business territory. The Group will continue to leverage on its diversified product varieties and brand portfolio as its core business strategy, while strengthening its "cross-sector" strategic development and boosting the Group's brand effect and international reputation, which will further consolidate the Group's leading position in the market.

## **OUTLOOK**

As one of the leaders in the processed fruit industry in China, the Group has been committed to its objective of "producing healthy and safe food, making happy and blissful lives". It has driven high quality development in the industry through proactive action. The Group will continue to optimize corporate governance, promote green and low-carbon production, healthy food and beverages explore more environmentally-friendly and sustainable product packaging, and achieve the goals of the Group's sustainable development.

Looking forward, the Group will continue to invest in product research, development and innovation; capture the changing market demand for specialty beverages; offer diversified and healthy specialty beverages, and snacks for consumers, striving to become a leading international food and beverage enterprise so as to give back to society and consumers in return for their support to and trust in the Group, as well as to bring sustainable and stable investment returns for our shareholders and investors in the long run.

## FINANCIAL REVIEW

### Revenue

During the Review Period, our revenue increased to approximately RMB355.6 million from approximately RMB328.7 million for the six months ended 30 June 2022, representing an increase of approximately RMB26.9 million or 8.2%. The Group continued to sell its processed fruit and beverage products under its own brand and on an OEM basis, and engaged in trading of fresh fruits. The increase in revenue during the Review Period was mainly attributable to the increase in the sales of our own brand products of approximately RMB48.8 million.

Breakdown of the revenue by business segments for the six months ended 30 June 2023 and the comparative unaudited figures in 2022 is set out as follows:

	Unaudited			
	For the six months			
	ended 30 June			
	2023	2022	Changes	
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>%</i>
Revenue				
Own Brand Sales	<b>223.5</b>	174.7	48.8	27.9
OEM Sales	<b>121.0</b>	134.7	(13.7)	(10.2)
Fresh Fruits Sales and others	<b>11.1</b>	19.3	(8.2)	(42.5)
<b>Total</b>	<b>355.6</b>	<b>328.7</b>	<b>26.9</b>	<b>8.2</b>

During the Review Period, revenue from our sales of processed fruits and beverage products under our own brand accounted for 62.9% (2022: 53.1%) of the total revenue and represented the largest business segment of the Group. Our own brand sales increased from approximately RMB174.7 million for the six months ended 30 June 2022 to approximately RMB223.5 million for the six months ended 30 June 2023, representing an increase of approximately RMB48.8 million or 27.9%. The increase was contributed by the increase in sales from both processed fruit and speciality beverage products.

Revenue from sales of processed fruit products on an OEM basis continued to contribute a significant portion of the total revenue of the Group and represented 34.0% (2022: 41.0%) of the total revenue during the Review Period. Our processed fruit products are mainly sold to international and well-known brand owners either by the Group directly to overseas brand owners or trading entities, or through local import and export entities based in the PRC. During the Review Period, revenue from OEM sales decreased by approximately RMB13.7 million or 10.2% from approximately RMB134.7 million for the six months ended 30 June 2022 to approximately RMB121.0 million for the six months ended 30 June 2023. The decrease was mainly due to the slowdown of global economy and weak demand from overseas customers.

We continued to trade a small portion of our fresh fruits to fresh fruits wholesalers during the Review Period. Revenue contributed by fresh fruit sales and others represented 3.1% of the total revenue for the six months ended 30 June 2023 (2022: 5.9%). Revenue from fresh fruit sales and others during the Review Period decreased by approximately RMB8.2 million or 42.5% to approximately RMB11.1 million. The decrease was mainly due to the decrease in fresh fruit sales and the reduction in the supply of fresh fruit raw materials that can be resold.

## Gross profit and gross profit margin

	<b>Unaudited</b>			
	<b>For the six months</b>			
	<b>ended 30 June</b>			
	<b>2023</b>	2022	Changes	
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	%
Gross profit/(loss)				
Own Brand Sales	<b>69.0</b>	47.9	21.1	44.1
OEM Sales	<b>35.7</b>	36.7	(1.0)	(2.7)
Fresh Fruits Sales and others	<b>(4.9)</b>	2.6	(7.5)	(288.5)
<b>Total gross profit</b>	<b><u>99.8</u></b>	<u>87.2</u>	<u>12.6</u>	<u>14.4</u>

Gross profit for the six months ended 30 June 2023 increased to approximately RMB99.8 million from approximately RMB87.2 million for the six months ended 30 June 2022, representing a period-on-period increase of RMB12.6 million, or 14.4%. The increase was mainly due to the increase in revenue from own brand sales which was partially reduced by the adjustments on rebates on own brand products in the fresh fruit sales and others.

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2023</b>	2022
Gross profit/(loss) margin		
Own Brand Sales	<b>30.9%</b>	27.4%
OEM Sales	<b>29.5%</b>	27.2%
Fresh Fruits Sales and others	<b>(44.1)%</b>	13.5%
<b>Overall gross profit margin</b>	<b><u>28.1%</u></b>	<u>26.5%</u>

During the Review Period, the overall gross profit margin increased from 26.5% for the six months ended 30 June 2022 to 28.1% for the six months ended 30 June 2023. The increase in the overall gross margin was mainly due to change in product mix and increase in average selling price of processed fruit products.

### **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 2023, the selling and distribution expenses increased from approximately RMB4.7 million for the six months ended 30 June 2022 to approximately RMB8.8 million, representing a period-on-period increase of approximately RMB4.1 million, or 87.2%. The increase was mainly due to the increase in promotion and advertising expenses, and various brand building events held during the Review Period.

### **Research and development expenses**

Research and development expenses mainly include raw materials, staff costs and overhead expenses related to the R&D activities. The amount of research and development expenses increased from RMB10.8 million for the six months ended 30 June 2022 to RMB12.0 million for the six months ended 30 June 2023, representing a period-on-period increase of approximately RMB1.2 million, or 11.1%.

### **General and administrative expenses**

General and administrative expenses mainly include salary expenses and related staff costs for management and administrative departments, professional fees, depreciation and amortisation, foreign exchange differences, and various taxes with regard to the use of land and buildings. The amount of general and administrative expenses increased from RMB16.6 million for the six months ended 30 June 2022 to RMB26.3 million for the six months ended 30 June 2023, representing a period-on-period increase of approximately RMB9.7 million, or 58.4%.

Without taking into account the effect of exchange difference during the Review Period, general and administrative expenses decreased by approximately 19.5% or RMB3.9 million for the six month ended 30 June 2023, which was mainly due to the decrease in professional fees during the Review Period.

### **Income tax expenses**

Income tax expenses represent mainly the PRC enterprise income tax payable by our PRC subsidiaries. For the six months ended 30 June 2023, our income tax expenses increased by RMB9.5 million, or approximately 92.2%, to RMB19.8 million from RMB10.3 million for the six months ended 30 June 2022. The increase in the income tax expenses was primarily due to the increase in our assessable income in the PRC.

## Net profit and net profit margin

During the Review Period, the net profit of the Group increased from approximately RMB53.3 million for the six months ended 30 June 2022 to approximately RMB143.0 million for the six months ended 30 June 2023, representing a period-on-period increase of approximately RMB89.7 million or 168.3%. The increase was attributable to other gain in relation to the recovery of loss on deconsolidation recorded for the Review Period. The net profit margin for the Review Period was 40.2% (2022: 16.2%).

## Liquidity, financial resources and capital resources

The Group principally meets 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 <b>30 June</b> <b>2023</b>	As at 31 December 2022
Gearing ratio (%)	<b>6.91%</b>	6.64%
Current ratio	<b>3.37</b>	3.49
Cash and cash equivalent ( <i>RMB million</i> )	<b>691.0</b>	659.6
Net current assets ( <i>RMB million</i> )	<b>660.2</b>	586.5
Quick ratio	<b>3.20</b>	3.33

The gearing ratio of the Group as at 30 June 2023 was 6.91% (31 December 2022: 6.64%). Gearing ratio was calculated based on total debts divided by total equity. The amount of total debts was calculated by aggregating the bank borrowings and 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 2023 was 3.37 (31 December 2022: 3.49).

As at 30 June 2023, our cash and cash equivalents amounted to approximately RMB691.0 million (31 December 2022: RMB659.6 million). Our net current assets was approximately RMB660.2 million as at 30 June 2023, as compared to approximately RMB586.5 million as at 31 December 2022.

The quick ratio (calculated based on total current assets (excluding inventory) divided by total current liabilities) of the Group as at 30 June 2023 was 3.20 (31 December 2022: 3.33). 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 RMB1,226.6 million and RMB290.8 million, respectively as at 30 June 2023 (31 December 2022: RMB1,129.5 million and RMB243.0 million).

### **Bank borrowings, and net finance income**

As at 30 June 2023, the total amount of interest-bearing bank borrowings was approximately RMB84.8 million (31 December 2022: RMB75.0 million).

Net finance income of the Group represents finance income less finance costs. Net finance income decreased from approximately RMB8.3 million for the six months ended 30 June 2022 to approximately RMB2.9 million for the six months ended 30 June 2023, representing a decrease of approximately RMB5.4 million or 65.1%. The decrease was mainly due to the decrease in interest income from the bank deposits and decrease in finance costs in relation to interest capitalisation on assets.

### **Pledged assets**

The Group has pledged its right-of-use assets and buildings as collaterals for the bank borrowings. As at 30 June 2023, the net book value of pledged right-of-use assets and buildings amounted to approximately RMB108.8 million (31 December 2022: RMB76.6 million).

### **Capital expenditure**

During the Review Period, approximately RMB38.9 million were expended in relation to construction in progress in the Yunnan production base.

## **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 income 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.

## **Human resources**

As at 30 June 2023, the number of employees of the Group was 556 (31 December 2022: 494). The total staff costs, including Directors’ emoluments, amounted to approximately RMB17.4 million for the Review Period (30 June 2022: approximately RMB17.3 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 2023, the Group did not have any material outstanding contingent liabilities. The capital commitments contracted for but not yet incurred and provided for as of 30 June 2023 amounted to approximately RMB200.1 million (31 December 2022: RMB4.9 million).

## **Material acquisitions and disposals**

On 20 February 2023, the joint liquidators of Strong Won Investment Hong Kong Limited (“Strong Won HK”) (as agent of Strong Won HK) and Shandong Jinshuntai Agricultural Technology Company Limited (“Shandong Jinshuntai”) entered into a sale and purchase agreement in relation to the entire issued share capital in Tiantong Food (Yichang) Limited (the financial results of which have already been deconsolidated from the Group’s financial statements with effect from 1 January 2021) for a cash consideration of RMB90 million. Completion took place on the same day upon signing of the sale and purchase agreement. For further details, please refer to the announcement of the Company dated 21 February 2023.

Save as disclosed above and up to the date of this announcement, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the six months ended 30 June 2023, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023.

## **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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of corporate governance since the Listing Date.

Under code provision C.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 other 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. Therefore, the Board is 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 announcement.

## **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 for Securities Transactions by Directors of Listed Issuers (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 announcement.

## **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 is (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. Shiu Shu Ming (chairman), Mr. Liang Zhongkang and Prof. Ye Xingqian.

## **REVIEW OF INTERIM RESULTS**

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 have been reviewed by the Audit Committee and the Group's external auditor, Elite Partners, 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 2023.

## **SUBSEQUENT CHANGE AFTER 30 JUNE 2023**

There were no significant changes in the Group's financial position or from the information disclosed in this announcement subsequent to 30 June 2023 and up to the date of this announcement.

## **PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement are published on the websites of the Stock Exchange and the Company (<http://www.tianyuninternational.com>). The interim report for the six months ended 30 June 2023 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

## **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.

By Order of the Board  
**Tianyun International Holdings Limited**  
**Yang Ziyuan**  
*Chairman and Executive Director*

Hong Kong, 30 August 2023

*As at the date of this announcement, the Board comprises (i) Mr. Yang Ziyuan (Chairman), Mr. Yeung Wan Yiu (Vice Chairman), Mr. Sun Xingyu and Ms. Lv Chunxia as executive Directors; (ii) Ms. Chu Yinghong and Mr. Wong Yim Pan as non-executive Directors; and (iii) Mr. Liang Zhongkang, Mr. Shiu Shu Ming and Prof. Ye Xingqian as independent non-executive Directors.*