

Interim Report 2015



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

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Corporate Information

Board of Directors

Executive Directors

Mr. Yang Ziyuan (*Chairman*)
Mr. Sun Xingyu

Non-executive Directors

Ms. Chu Yinghong
Mr. Wong Yim Pan

Independent Non-executive Directors

Mr. Liang Zhongkang
Mr. Tsang Yuen Wai
Ms. Hui Yung Yung Janet

Audit Committee

Mr. Tsang Yuen Wai (*Chairman*)
Mr. Liang Zhongkang
Ms. Hui Yung Yung Janet

Nomination Committee

Mr. Yang Ziyuan (*Chairman*)
Mr. Liang Zhongkang
Mr. Tsang Yuen Wai
Ms. Hui Yung Yung Janet

Remuneration Committee

Mr. Liang Zhongkang (*Chairman*)
Mr. Yang Ziyuan
Mr. Tsang Yuen Wai
Ms. Hui Yung Yung Janet

Strategic Development Committee

Mr. Yang Ziyuan (*Chairman*)
Mr. Sun Xingyu
Ms. Chu Yinghong
Mr. Wong Yim Pan
Mr. Liang Zhongkang

Company Secretary

Mr. Ho Ho Tung Armen

Authorised Representatives

Mr. Sun Xingyu
Mr. Ho Ho Tung Armen

Headquarters and Principal Place of Business in China

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

Principal Place of Business in Hong Kong

Room A, 3/F, Cheong Sun Tower
116-118 Wing Lok Street
Sheung Wan
Hong Kong

Principal Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Compliance Adviser

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Principal Bankers

Bank of China (Hong Kong)
Limited,
1 Garden Road
Central, Hong Kong

Industrial and Commercial
Bank of China,
Branch of Hedong District,
433 Phoenix Street,
Hedong District, Linyi City,
Shandong Province, the PRC

Bank of China Limited,
Beiyuan Branch
131 Suhe North Street
Lanshan District, Linyi City
Shandong Province, the PRC

Agricultural Bank of China
Branch of Lanshan District,
Linyi City 173 Yimeng Road
Lanshan District, Linyi City
Shandong Province, the PRC

Linshang Bank, Beijiao Branch
Kunlun Garden Sideway 276037
Intersection of Yimeng Road and
Sanhejiu Street
Northern New District, Linyi City
Shandong Province, the PRC

Auditor

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

Company's Website

<http://www.tianyuninternational.com>

Stock Code

6836

Management Discussion and Analysis

Business review

Tianyun International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the production and sales of processed fruit products packaged in metal containers, plastic cups and glass containers and trading of fresh fruit.

The Group continues to follow stringent international production standards and is accredited with BRC (A+), IFS Food (high), HALAL, QS, KOSHER and ISO22000 in respect of our production facilities, quality control and management.

During the six months ended 30 June 2015, we received a strong demand from our OEM customers, in particular, most of our existing customers. Our revenue was contributed more evenly among all of our OEM customers and less relied on any single largest OEM customer. Sales to our five largest customers which contributed to the total revenue of the Group decreased from 47.8% for the six months ended 30 June 2014 to 31.2% for the same period in 2015. The percentage of sales to our largest customer to total sales reduced from 13.2% for the six months ended 30 June 2014 to 8.5% for the same period in 2015.

Attributed to the new distributorship system which we have adopted in January 2015, the number of our distributors increased from 17 as at 31 December 2014 to 39 as at 30 June 2015. The new distributorship system contributed to the substantial growth in the revenue of our own brand products. The revenue of our own brand products during the six months ended 30 June 2015 which amounted to approximately RMB49.8 million, has almost reached that in the whole year of 2014. Our own brand products are mainly sold through our distributors in 16 provinces and municipalities in the PRC.

Since April 2015, we have launched our on-line shop through Tmall, one of the most popular online shops in the PRC. During the six months ended 30 June 2015, we were in the trial operation phase. The statistics of the online shop showed that we consistently achieved a score of 4.9 out of a full score of 5 with regard to the representation of our products, customer’s satisfaction at our services and our delivery time. All of our scores were over 50% higher than the other online shops in the same industry on Tmall.

Prospects

Further to the success of the launch of fruit sorbet in April 2015, we will continue to pursue product innovation and launch new products in the second half of 2015.

Going forward, we will escalate our efforts to expand domestic market share of our own brand products and boost our distribution business in the PRC including enhancing our own brands through our domestic distribution system, expanding our distribution and sales networks, increasing the number of distributors, and expanding into regions with huge potential growth. We have recently signed a distribution agreement with a Hong Kong distributor and our products under Tiantong brand have been selling in most of the popular chain of supermarkets in Hong Kong since July 2015. We considered this is one of the key steps for our own brand products to enter into the overseas market.

We will also further develop our online shopping platform on Tmall and sell our processed fruit products under the series of “果小懶” brand with the aim to increase our market share and strive to maintain our first mover advantage in the market.

We will expand our production capacity by 20,000 tonnes in 2016 as planned to satisfy the market demand for processed fruit products. The construction of No. 3 and No.4 workshops has been completed in accordance with our timetable and the internal decoration has started. We expect the whole construction and machinery testing to be completed by the end of 2015. We will introduce more advanced production and quality control equipment to enhance our production efficiency.

We will use our best endeavour to maintain our products at the highest standard and capture the rapid growth in the consumer market in the PRC with our own brand products.

Management Discussion and Analysis

Revenue, gross profit and gross margin breakdown by business

During the six months ended 30 June 2015, our revenue increased from approximately RMB202.4 million to approximately RMB253.7 million, representing an increase of RMB51.3 million and a growth of 25.4% over the same period in 2014. The Company continued to sell its processed fruit products on an OEM basis and under its own brand, and also fresh fruits. Gross profit increased from approximately RMB53.9 million to approximately RMB76.3 million, representing an increase of RMB22.4 million or a growth of 41.6% over the same period in 2014. Our overall gross margin was 30.1% (for the six months ended 30 June 2014: 26.6%) and was aligned with the full year gross margin in the past.

Processed fruit products sold on an OEM basis (“OEM Sales”) contributed the most to the total revenue of the Group which represented 62.4% (for the six months ended 30 June 2014: 69.4%) of the total revenue during the six months ended 30 June 2015. Our processed fruit products are sold to international well-known brand owners either by our Group directly or through third party trading entities. The revenue contributed by the OEM Sales increased from approximately RMB140.5 million for the six months ended 30 June 2014 to approximately RMB158.4 million for the same period in 2015, representing a growth of 12.7%. The rise was mainly attributable to the increase in sales orders by three brand owners which amounted to approximately RMB13.7 million during the period under review as compared to the same period in 2014.

During the period under review, the sales of processed fruit products under our own brand (“Own Brand Sales”) accounted for 19.6% (for the six months ended 30 June 2014: 8.5%) of the total revenue and grew by 189.5% from approximately RMB17.2 million for the six months ended 30 June 2014 to approximately RMB49.8 million for the same period in 2015. The substantial increase was contributed by the continuous increase in the number of distributors under the new distributorship system since January 2015.

We also sold fresh fruit products and the revenue contributed by fresh fruit sales and others increased to approximately RMB45.5 million, representing 18.0% of the total revenue for the six months ended 30 June 2015 (for the six months ended 30 June 2014: 22.1%).

The table below sets out a breakdown of our revenue, gross profit and gross profit margin by major types of customers for the periods indicated:

	For the six months ended 30 June			
	2015 RMB million	2014 RMB million	Changes	
			RMB million	%
Revenue				
OEM Sales	158.4	140.5	17.9	12.7
Own Brand Sales	49.8	17.2	32.6	189.5
Fresh fruits and others	45.5	44.7	0.8	1.8
Total	253.7	202.4	51.3	25.4
Gross Profit				
OEM Sales	50.5	38.8	11.7	30.2
Own Brand Sales	14.8	4.7	10.1	214.9
Fresh fruits and others	11.0	10.4	0.6	5.8
Total	76.3	53.9	22.4	41.6

Gross margin of OEM Sales and Own Brand Sales for the six months ended 30 June 2014 increased from 27.6% and 27.3% respectively to 31.9% and 29.7% respectively for the same period in 2015. The gross margins are broadly aligned with the full year gross margins in the past.

Management Discussion and Analysis

	For the six months ended 30 June	
	2015	2014
Gross Margin		
OEM Sales	31.9%	27.6%
Own Brand Sales	29.7%	27.3%
Fresh fruits and others	24.2%	23.3%

Operating expenses

Operating expenses include mainly selling and distribution costs, and general and administrative costs. Selling and distribution costs include mainly the transportation costs which represented approximately 1.0% of the total revenue of the Group for the six months ended 30 June 2015 (for the six months ended 30 June 2014: 0.9%) and amounted to approximately RMB2.4 million (for the six months ended 30 June 2014: approximately RMB1.8 million). The increase is consistent with the growth of revenue during the period under review.

General and administrative expenses (excluding the one-off listing expenses of approximately RMB16.0 million) increased from approximately RMB3.6 million to RMB5.9 million, representing an increase of approximately RMB2.3 million and 63.9% over the same period in 2014. The overall increase in general and administrative expenses was mainly attributed to the increase in the headcount of management and administrative functions for business expansion.

Net profit and net profit margin

Profit for the period under review decreased by approximately RMB2.4 million or 6.4% to approximately RMB35.0 million as compared to approximately RMB37.4 million for the six months ended 30 June 2014.

If the one-off listing expenses is excluded, the adjusted net profit increased from approximately RMB37.4 million for the six months ended 30 June 2014 to approximately RMB51.0 million for the same period in 2015, representing a growth of 36.4% or an increase of RMB13.6 million.

The net profit and adjusted net profit margin for the period under review is 13.8% and 20.1% respectively (for six month ended 30 June 2014: 18.5% and 18.5% respectively).

	For the six months ended 30 June			
	2015 RMB million	2014 RMB million	Changes	
			RMB million	%
Net profit for the period	35.0	37.4	(2.4)	(6.4)
Adjustments:				
Provision for listing expenses	16.0	–	16.0	N/A
Adjusted net profit for the period	51.0	37.4	13.6	36.4
Net profit margin	13.8%	18.5%	N/A	N/A
Adjusted net profit margin	20.1%	18.5%	N/A	N/A

Use of proceeds from the global offering

The Company's shares were listed and commenced trading on the Main Board of The Stock Exchange of Hong Kong Limited on 7 July 2015 (the "Listing Date"). The net proceeds raised by the Company from the listing amounted to approximately HK\$278.6 million after deducting the underwriting commissions and all related expenses. The Company intends to use such proceeds in the manner consistent with that disclosed in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 24 June 2015. The Group has not yet utilized the net proceeds as at the date of this report. The unutilized net proceeds have been placed in the deposits with the banks in Hong Kong and the PRC.

Management Discussion and Analysis

Liquidity, financial and capital resources

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

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

	(Unaudited) As at 30 June 2015	(Audited) As at 31 December 2014
Gearing ratio (%)	36.9	34.2
Current ratio	1.26	1.60
Cash and cash equivalent (RMB million)	26.5	31.6
Net current assets (RMB million)	29.0	45.8
Quick ratio	0.91	1.06

The gearing ratio of the Group as at 30 June 2015 was 36.9% (31 December 2014: 34.2%). 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 the non-trade nature of amounts due to directors, the immediate holding company and a related company.

The current ratio (calculated based on total current assets divided by total current liabilities) of the Group as at 30 June 2015 was 1.26 (31 December 2014: 1.60).

As at 30 June 2015, our cash and cash equivalents amounted to approximately RMB26.5 million (31 December 2014: RMB31.6 million). Our net current assets stated at approximately RMB29.0 million as at 30 June 2015, as compared to approximately RMB45.8 million as at 31 December 2014.

The quick ratio (calculated based on total current assets minus inventory divided by total current liabilities) of the Group as at 30 June 2015 was 0.91 (31 December 2014: 1.06).

With stable cash inflows generated in the daily business operation, plus the net proceeds raised from listing, the Group has sufficient resources for future expansion.

The Group manages its capital structure to maintain a balance between the equity and debts which makes adjustment to the capital structure 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 six months ended 30 June 2015.

Capital structure

The Group's total equity amounted to RMB184.5 million as at 30 June 2015 (31 December 2014: RMB118.3 million).

Bank borrowings and finance costs, net

As at 30 June 2015, the total amount of interest-bearing bank borrowings of the Group was approximately RMB68.0 million (31 December 2014: RMB33.0 million). These bank borrowings are denominated in RMB and are all repayable within one year. The increase in bank borrowings of RMB35.0 million is mainly due to the funding of the acquisition of certain land and buildings and production facilities for a consideration of RMB80.0 million during the period under review. Finance costs of the Group net of capitalisation has been decreased from RMB1.8 million for the six months ended 30 June 2014 to RMB0.6 million for the six months ended 30 June 2015, representing a decrease of approximately RMB1.1 million or approximately 64.5%. Such drop was mainly attributable to the capitalisation of borrowing costs amounting to RMB1.0 million on qualifying assets during the six months ended 30 June 2015 (for the six months ended 30 June 2014: nil).

Management Discussion and Analysis

Pledged assets

The Group pledged its land and buildings as collateral for a bank loan. As at 30 June 2015, the net book value of pledged land and buildings amounted to approximately RMB80.0 million.

Capital expenditure

During the period under review, we have completed the purchase of a parcel of land in Linyi City, Shandong Province, the PRC together with our existing production facilities located thereon comprising the production plants, ancillary facilities, offices, dormitories and canteens with a total gross floor area of approximately 40,181.7 square metres at a consideration of RMB80.0 million which was fully settled during the period under review.

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 borrowings. Bank borrowings obtained at variable rates expose 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 rates expose the Group to fair value interest rate risk. During the period under review, the bank borrowings of the Group at variable rates and fixed rates were all denominated in RMB. The cash deposits placed with banks generate interest at the prevailing market interest rates.

Foreign currency exposure

The Group mainly operates in the PRC and most of the transactions are conducted in RMB. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars and Hong Kong dollars. Foreign exchange risk mainly arises from sales transactions in foreign currency with overseas customers which are mostly in United States dollars. The monetary assets of the Group are mainly held by the holding company and a subsidiary incorporated outside the PRC and were denominated in Hong Kong dollars and United States dollars.

Human resources

As at 30 June 2015, the employee headcount of the Group was 489 (30 June 2014: 712). The drop of headcount was mainly from production function that was attributed to our continuous upgrade of production facilities and automation of production process. The total staff costs, including Directors' emoluments, amounted to approximately RMB9.6 million for the period under review (six months ended 30 June 2014: approximately RMB12.1 million). Since 1 March 2015, we have fully complied with the social insurance and housing provident fund requirements in the PRC.

The emoluments payable to the Directors are subject to their respective terms of engagement approved by the Remuneration Committee and the Nomination Committee, having regard to the operating results of the Group, the performance of individual Directors and comparable market statistics. The Group implements remuneration policy, bonus and share option scheme with reference to the performance of the Group and individual employees. The Group also provides benefits, such as insurance, medical and retirement funds, to employees so as to sustain the competitiveness of the Group.

Commitments and contingent liabilities

As at 30 June 2015, there were no other material capital commitments that the Group is aware of. In addition, the Group did not have any material outstanding contingent liabilities.

Events after the balance sheet date

In connection with the global offering completed on 7 July 2015, the Company issued a total of 250,000,000 shares at a price of HK\$1.28 per share for a total subscription price (before related fees and expenses) of HK\$320 million.

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 9 to 25, 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 2015 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months 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 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2015

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Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Note	Unaudited Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Revenue	7	253,731	202,373
Cost of sales		(177,474)	(148,480)
Gross profit		76,257	53,893
Other income	7	58	1,064
Selling and distribution expenses		(5,018)	(2,570)
General and administrative expenses		(21,908)	(3,590)
Operating profit	8	49,389	48,797
Finance income		79	39
Finance costs		(702)	(1,793)
Finance costs – net	9	(623)	(1,754)
Profit before income tax		48,766	47,043
Income tax expense	10	(13,717)	(9,658)
Profit for the period and total comprehensive income attributable to owners of the Company		35,049	37,385
Earnings per share for profit attributable to owners of the Company – Basic and diluted (RMB cents)	12	4.67	4.98

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

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2015

		Unaudited	Audited
	<i>Note</i>	30 June 2015 RMB'000	31 December 2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	94,274	72,514
Leasehold land and land use rights	13	60,598	–
Prepayments	14	617	–
Total non-current assets		155,489	72,514
Current assets			
Inventories		38,753	41,071
Trade and other receivables	14	73,836	49,635
Cash and cash equivalents		26,461	31,595
Total current assets		139,050	122,301
Total assets		294,539	194,815
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	1	1
Reserves		184,523	118,329
Total equity		184,524	118,330
LIABILITIES			
Current liabilities			
Trade payables	16	12,991	12,365
Accruals and other payables	17	24,683	16,282
Amounts due to directors		–	7,311
Amount due to the immediate holding company		–	20
Amount due to a related company		–	90
Bank borrowings	18	68,000	33,000
Current income tax liabilities		4,341	7,417
Total current liabilities		110,015	76,485
Total equity and liabilities		294,539	194,815
Net current assets		29,035	45,816
Total assets less current liabilities		184,524	118,330

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

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2015

	Unaudited Attributable to owners of the Company					
	Share capital RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2015	1	59,507	(3,100)	2,500	59,422	118,330
Total comprehensive income for the period ended 30 June 2015	–	–	–	–	35,049	35,049
Transaction with owners, recognised directly in equity						
Waiver of amount due to immediate holding company (Note 21(b))	–	31,145	–	–	–	31,145
Balance at 30 June 2015	1	90,652	(3,100)	2,500	94,471	184,524
Balance at 1 January 2014	1	–	(3,100)	2,500	40,111	39,512
Total comprehensive income for the period ended 30 June 2014	–	–	–	–	37,385	37,385
Transaction with owners, recognised directly in equity						
Dividends relating to the year ended 31 December 2013 (Note 11)	–	–	–	–	(40,000)	(40,000)
Balance at 30 June 2014	1	–	(3,100)	2,500	37,496	36,897

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	38,681	47,533
Interest paid	(1,707)	(1,793)
Income tax paid	(16,793)	(9,050)
Net cash generated from operating activities	20,181	36,690
Cash flows from investing activities		
Purchases of leasehold land and land use rights and property, plant and equipment	(84,118)	(353)
Proceeds from disposal of property, plant and equipment	–	1
Decrease in restricted bank deposits	–	1,500
Interest received	79	39
Net cash (used in)/generated from investing activities	(84,039)	1,187
Cash flows from financing activities		
Repayments to a director	(7,311)	(9,600)
Repayment to a related company	(90)	(100)
(Repayment to)/advances from the immediate holding company	(20)	58,766
Contributions from the immediate holding company	31,145	–
Proceeds from bank borrowings	(88,000)	10,000
Repayments of bank borrowings	(53,000)	(10,000)
Dividends paid to the then owners of a company now comprising the Group	–	(40,000)
Net cash generated from financing activities	58,724	9,066
Net (decrease)/increase in cash and cash equivalents	(5,134)	46,943
Cash and cash equivalents at beginning of the period	31,595	18,054
Cash and cash equivalents at end of the period	26,461	64,997
Cash and cash equivalents comprise:		
Cash at bank and on hand	26,461	64,997

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

Notes to the Condensed Consolidated Interim Financial Information

1. General information

Tianyun International Holdings Limited (the “Company”) was 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 is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and trading of processed fruits products and fresh fruits.

The Company was primarily listed on The Stock Exchange of Hong Kong Limited (the “Exchange”) on 7 July 2015.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the board of directors on 28 August 2015. This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

These condensed consolidated interim financial information for the six months ended 30 June 2015 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements. The following are other accounting policies which are relevant to the preparation of the condensed consolidated interim financial information for the six months ended 30 June 2015.

(a) Property, plant and equipment

Buildings of the Group are stated at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation on building is calculated using the straight-line method to allocate their cost to their residual values over the estimated useful lives (i.e. 20 years).

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

(b) Leasehold land and land use rights

The leasehold land and land use rights relating to buildings of the Group has finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the costs of leasehold land and land use rights over their lease term.

Notes to the Condensed Consolidated Interim Financial Information

3. Accounting policies (continued)

- (c) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- (d) The following amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1 January 2015:

Annual improvements projects	Annual improvements 2010-2012 cycle
Annual improvements projects	Annual improvements 2011-2013 cycle
HKAS 19 (2011) (Amendment)	Defined benefit plans: Employee contributions

The Group has adopted these standards and the adoption of these standards did not have a significant impact on the Group's results and financial position.

There are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

- (e) The following new standards, amendments to standards and annual improvement have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investments entities applying the consolidation exception	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKAS 1 (Amendment)	The disclosure initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants	1 January 2016
Annual improvements projects	Annual improvements 2012-2014 cycle	1 January 2016

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and annual improvement. The directors of the Company will adopt the new standards, amendments to standards and annual improvement when become effective.

Notes to the Condensed Consolidated Interim Financial Information

4. Estimates

The preparation of 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 2014.

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency 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 2014. There have been no significant changes in the risk management policies since the year end.

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 time.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and exchange control.

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities. As at 30 June 2015 and 31 December 2014, the Group's financial liabilities were due for settlement contractually within 12 months or repayable on demand.

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 Group based on a measure of profit after income tax and considers the Group 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 trading of fresh fruits and processed fruit products, and segment information are not presented.

Notes to the Condensed Consolidated Interim Financial Information

6. Segment information (continued)

The Company is domiciled in the British Virgin Islands while the Group operates its business in the PRC. The Group's revenue of RMB216,616,000 and RMB187,758,000 was generated from customers in the PRC, and the Group's revenue of RMB37,115,000 and RMB14,615,000 was generated from overseas customers for the six months ended 30 June 2015 and 2014, respectively.

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

External customers contribute over 10% of total revenue of the Group for any of the six months ended 30 June 2015 and 2014 are as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Customer A	21,669	26,756
Customer B	11,811	27,311

7. Revenue and other income

The Group is principally engaged in the manufacturing and trading of fresh fruits and processed fruits products. Turnover consists of revenue from sales of fresh fruits and processed fruits products. Revenue recognised during the periods ended 30 June 2015 and 2014 are as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Revenue		
Domestic sales	216,616	187,758
Direct overseas sales	37,115	14,615
Total sale of goods	253,731	202,373
Other income		
Government subsidies	21	1,064
Others	37	–
	58	1,064

Notes to the Condensed Consolidated Interim Financial Information

8. Operating profit

An analysis of the amounts presented as operating items in the interim financial information is given below:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Auditors' remuneration	704	38
Cost of inventories sold	165,856	133,379
Depreciation of property, plant and equipment	2,148	1,721
Employee benefit expenses (including directors' emoluments)	9,564	12,136
Listing expenses	15,988	–
Operating lease payments	608	1,404
Loss on disposal of property, plant and equipment	–	5
Other taxes	2,846	2,309

9. Finance costs - net

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Finance income		
– Interest income on short-term bank deposits	79	39
Finance costs		
– Interest expenses on bank borrowings wholly repayable within 5 years	(1,707)	(1,793)
– Less: amounts capitalised on qualifying assets	1,005	–
	(702)	(1,793)
Finance costs - net	(623)	(1,754)

During the six months ended 30 June 2015, the Group has capitalised borrowing costs amounting to RMB1,005,000 (for six months ended 30 June 2014: Nil) on the construction of qualifying assets. The average interest rate used to capitalise such borrowing costs was 4.1% per annum for the six months ended 30 June 2015 (for six months ended 30 June 2014: Nil).

10. Income tax expense

British Virgin Islands ("BVI") income tax

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

Hong Kong profits tax

Entity incorporated in Hong Kong are subject to Hong Kong profits tax at a rate at 16.5% for the six months ended 30 June 2015 and 2014 on the estimated assessable profit for the periods. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the periods.

Notes to the Condensed Consolidated Interim Financial Information

10. Income tax expense (continued)

PRC corporate income tax

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.

The income tax expense of the Group for the six months ended 30 June 2015 is analysed as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Current income tax		
PRC corporate income tax	13,717	9,658

11. Dividends

Dividends of RMB40,000,000 was declared by Shandong Tiantong Food Co., Ltd. ("Shandong Tiantong", the major operating subsidiary of the Group) to the then owners of Shandong Tiantong during the six months ended 30 June 2014. The rate for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2015.

12. Earnings Per Share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the periods.

	Six months ended 30 June	
	2015	2014
Profit attributable to owners of the Company (RMB\$'000)	35,049	37,385
Weighted average number of ordinary shares in issue (thousand)	750,000	750,000
Basic earnings per share (RMB cents)	4.67	4.98

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by 100 ordinary shares issued on incorporation plus 749,999,900 ordinary shares under capitalisation issue (Note 15(a)) which is deemed to be issued at the beginning of the earliest period presented in the condensed consolidation interim financial information.

(b) Diluted

There is no dilution to earnings per share during the period as there were no potential dilutive shares existing during the periods. The diluted earnings per share equal basic earnings per share.

Notes to the Condensed Consolidated Interim Financial Information

13. Property, plant and equipment and leasehold land and land use rights

	Leasehold land and land use rights RMB'000	Building 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
Six months ended 30 June 2015								
Net book value								
Opening amount as at 1 January 2015	-	32,158	14	12,454	1,483	608	25,797	72,514
Additions	60,598	19,681	-	397	33	83	3,714	84,506
Transfer	-	-	-	782	-	-	(782)	-
Depreciation and amortisation (Note 8)	-	(971)	(3)	(956)	(129)	(89)	-	(2,148)
Closing amount as at 30 June 2015	60,598	50,868	11	12,677	1,387	602	28,729	154,872
Six months ended 30 June 2014								
Net book value								
Opening amount as at 1 January 2014	-	28,364	21	9,951	809	340	-	39,485
Additions	-	-	-	143	-	9	-	152
Disposals	-	-	-	-	-	(6)	-	(6)
Depreciation (Note 8)	-	(836)	(3)	(742)	(88)	(52)	-	(1,721)
Closing amount as at 30 June 2014	-	27,528	18	9,352	721	291	-	37,910

During the six months ended 30 June 2015, the Group has acquired certain land and buildings for a consideration of RMB80,000,000 from a related company, Linyi Yuanyu Trading Co., Ltd. ("Yuanyu").

As at 30 June 2015, the net book value of land and buildings pledged to banks for securing the Group's general banking facilities amounted to RMB80,000,000 (31 December 2014: Nil).

Construction in progress as at 30 June 2015 mainly comprises new plants and production lines being constructed in the PRC.

Notes to the Condensed Consolidated Interim Financial Information

14. Trade and other receivables

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Non-current Prepayments	617	–
Current		
Trade receivables (Note a)	71,565	48,549
Prepayments	2,024	434
Other receivables	247	652
	73,836	49,635
Total	74,453	49,635

(a) Trade receivables

The Group's credit terms granted to wholesale customers generally ranged from 30 to 60 days. As at 30 June 2015 and 31 December 2014, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Less than 30 days	54,498	28,531
31 to 60 days	15,825	19,358
61 to 90 days	1,033	660
91 to 180 days	209	–
	71,565	48,549

No provision for impairment of trade receivables was made as at 30 June 2015 and 31 December 2014.

(b) The carrying amounts of trade and other receivables approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Information

15. Share capital

Authorised ordinary share

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 share

	Number of ordinary share	Nominal value of ordinary share HK\$'000	Equivalent nominal value of ordinary share RMB'000
Issued and fully paid:			
Ordinary shares at 31 December 2014 and 30 June 2015	100	1	1
Balance at 30 June 2015	100	1	1
Capitalisation issue (Note a)	749,999,900	7,500	6,000
Issuance of ordinary shares (Note b)	250,000,000	320,000	256,000
Balance at 7 July 2015	1,000,000,000	327,501	262,001

Note:

(a) Capitalisation issue

Pursuant to a written resolution of all shareholders of the Company passed on 16 June 2015, conditional upon the share premium account of the Company being credited as a result of the issuance of new shares pursuant to the initial public offering of the Company's shares, the directors were authorised to capitalise an amount of HK\$7,499,999 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 749,999,900 shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 16 June 2015.

(b) Issuance of new ordinary shares to public upon IPO

On 7 July 2015, upon its listing on the Exchange, 250,000,000 ordinary shares of nil nominal value were issued at a price of HK\$1.28 per share for a total cash consideration, before related issuance expenses, of approximately 320,000,000. Dealings in these shares on the Exchange commenced on 7 July 2015.

(c) These new shares rank pari passu with the existing shares in all respects.

Notes to the Condensed Consolidated Interim Financial Information

16. Trade payables

The ageing analysis of the trade payables based on invoice date is as follows:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Less than 30 days	11,644	11,156
31 to 90 days	965	732
91 to 180 days	382	331
181 to 365 days	–	144
Over 365 days	–	2
	12,991	12,365

The carrying amounts of trade payables approximate their fair values.

17. Accruals and other payables

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Accrued employee benefit expenses	11,809	13,554
Other taxes payables	2,308	163
Other payables for purchases of property, plant and equipment	368	368
Others	10,148	2,197
	24,683	16,282

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

Notes to the Condensed Consolidated Interim Financial Information

18. Bank borrowings

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Bank borrowings repayable within 1 year	68,000	33,000

Movements in bank borrowings are analysed as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Opening amount at 1 January	33,000	40,500
New bank borrowing obtained	88,000	10,000
Repayments of bank borrowings	(53,000)	(10,000)
Closing amount at 30 June	68,000	40,500

Interest expense on bank borrowings for the six months ended 30 June 2015 and 2014 are disclosed in Note 9. As at 30 June 2015 and 31 December 2014, the Group did not have any undrawn banking facilities.

The carrying amounts of bank borrowings approximate their fair values as the impact of discounting is not significant.

19. Contingencies

The Group did not have any material contingent liabilities as at 30 June 2015 and 31 December 2014.

Notes to the Condensed Consolidated Interim Financial Information

20. Commitments

(i) Operating lease commitments – Group as lessee

As at 31 December 2014, the Group leases manufacturing factories, offices and warehouses under an operating lease agreement with lease term of 24 years. During the six months ended 30 June 2015, the leases were cancelled upon the acquisition of certain land and buildings from Yuanyu.

The future aggregate minimum lease payments under the operating lease agreement are as follows:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Not later than 1 year	–	2,808
Later than 1 year and no later than 5 years	–	11,232
Later than 5 years	–	28,197
	–	42,237

(ii) Capital commitments

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

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Property, plant and equipment	5,905	3,069

Notes to the Condensed Consolidated Interim Financial Information

21. Related party transactions

The ultimate and immediate holding company of the Company is Tiantong Fruit Co., Ltd, a company incorporated in the Cayman Islands with limited liability. The ultimate controlling shareholder of Tiantong Fruit Co., Ltd is Mr. Yang Ziyuan.

(a) Significant transactions with related party

During the six months ended 30 June 2015 and 2014, the Group had the following significant transactions with its related company.

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Operating lease payments in respect of properties and land of a related company (before acquisition of land and buildings)	608	1,404

The transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(b) Other transaction with related party

On 19 March 2015, the Group entered into a transfer agreement with Yuanyu to acquire land and buildings for a consideration of RMB80,000,000. On 9 June 2015, upon the completion of transaction, the land use right certificate and building ownership certificate have been successfully transferred to the Group (Note 13). The transaction was made on terms mutually agreed by the relevant parties.

During the six months ended 30 June 2015, the immediate holding company transferred cash of approximately RMB31,145,000 to the Group. The amount due by the Group had been waived by the immediate holding company subsequently and such amount was recorded as capital reserve.

(c) 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	
	2015 RMB'000	2014 RMB'000
Basic salaries, allowances and benefits in kind	503	187
Social security costs	29	9
	532	196

22. Events after the reporting date

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 30 June 2015:

In connection with the global offering completed on 7 July 2015, the Company issued a total of 250,000,000 shares at a price of HK\$1.28 per share for a total subscription price (before related fees and expenses) of HK\$320,000,000.

Other Information

Material acquisitions and disposals

During the period under review, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

Future plans for material investments or capital assets

Save as disclosed in the prospectus of the Company dated 24 June 2015, the Company does not have any other plans for material investments or capital assets.

Purchase, sale or redemption of the Company's listed securities

As the shares of the Company were not listed on the Stock Exchange during the six months ended 30 June 2015, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

No such purchase, sale or redemption was made during the period between the Listing Date and the date of this report.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As the shares of the Company were not listed on the Stock Exchange as at 30 June 2015, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") and section 352 of the SFO were not applicable to the Directors or the chief executive of the Company as at 30 June 2015.

As at the date of this report, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Long Positions in the Shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Yang Ziyuan	Interest of a controlled corporation	436,771,000 Shares (L) (note 1)	43.7%
Ms. Chu Yinghong	Interest of spouse	436,771,000 Shares (L) (note 2)	43.7%
Mr. Sun Xingyu	Interest of a controlled corporation	120,000,000 Shares (L) (note 3)	12.0%

Notes:

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

The letter "L" denotes long position

Save as disclosed above, as at the date of this report, none of the Directors and the 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

Substantial shareholders' interests and short positions in Shares and underlying Shares

As the shares of the Company were not listed on the Stock Exchange as at 30 June 2015, Division 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as at 30 June 2015.

As at the date of this report, the persons or corporations other than Directors or chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which 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 shareholder	Capacity/Nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding
Wealthy Active Limited (<i>note 1</i>)	Beneficial owner	436,771,000 Shares (L)	43.7%
Wealthy Maker Limited (<i>note 2</i>)	Beneficial owner	120,000,000 Shares (L)	12.0%
Tiger Star International Limited (<i>note 3</i>)	Beneficial owner	75,750,000 Shares (L)	7.6%
Ms. Yeung Yik Hing Annie (<i>note 3</i>)	Interest of a controlled corporation	75,750,000 Shares (L)	7.6%
Sino Red Limited (<i>note 4</i>)	Beneficial owner	76,111,000 Shares (L)	7.6%

Notes:

1. Wealthy Active Limited is a company incorporated in the BVI and is wholly-owned by Mr. Yang.
2. Wealthy Maker Limited is a company incorporated in the BVI and is wholly-owned by Mr. Sun.
3. Tiger Star International Limited is a company incorporated in the BVI and is wholly-owned by Ms. Yeung Yik Hing Annie, an Independent Third Party. Ms. Yeung Yik Hing Annie is deemed to be interested in these Shares under the SFO.
4. Sino Red Limited is a company incorporated in the BVI and is wholly-owned by Ocean Equity Partners Fund L.P..

The letter "L" denotes long position

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, underlying shares and debentures of the Company which were required to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or required to be recorded in the register required under section 336 of the SFO as at the date of this report.

Share option scheme

The Company adopted a share option scheme (the "Share Option Scheme") with effect from the Listing Date. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The main purpose of the Share Option Scheme is to motivate employees to optimize their performance efficiency for the benefit of the Company. As the Share Option Scheme was not adopted during the six months ended 30 June 2015, no options had been granted under the Share Option Scheme during the period under review.

During the period between the Listing Date and the date of this report, no option has been granted, exercised, cancelled or lapsed. As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 100,000,000, representing 10% of the entire issued share capital of the Company.

Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2015.

Other Information

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 as set out in Appendix 14 of the Listing Rules, 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 performs 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. 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 from the Listing Date 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 complied with the requirements of the Model Code since the Listing Date and up to the date of this report.

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, be satisfying 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 half-year 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. Tsang Yuen Wai (Chairman), Mr. Liang Zhongkang and Ms. Hui Yung Hung Janet.

Review of interim results

The unaudited interim results of the Group for the six months ended 30 June 2015 have been reviewed by the Audit Committee and PricewaterhouseCoopers, the external auditor of the Company, 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.

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, 28 August 2015