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)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

- The Board has resolved to declare an interim dividend for of HK$0.016 per share
- Basic earnings per share rose from RMB4.67 cents to RMB6.17 cents
- Revenue increased from RMB253.7 million to RMB307.6 million, representing a growth of 21.3%
- Gross profit increased from RMB76.3 million to RMB94.2 million, representing an increase of 23.5%
- Gross margin increased from 30.1% to 30.6%
- Net profit increased from RMB35.0 million to RMB61.7 million, representing an increase of 76.3%
- Adjusted net profit (excluding listing expenses) increased from RMB51.0 million to RMB61.7 million, representing an increase of 21.0%
- Net profit margin kept at the same level of 20.1%

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 2016, together with the unaudited comparative figures for the corresponding period in 2015, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Unaudited	
		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**307,570**	253,731
Cost of sales		**(213,333)**	(177,474)
Gross profit		**94,237**	76,257
Other income		**365**	58
Selling and distribution expenses		**(5,147)**	(5,018)
General and administrative expenses		**(7,347)**	(21,908)
Operating profit	*6*	**82,108**	49,389
Finance income		**304**	79
Finance costs		**(1,933)**	(702)
Finance costs – net		**(1,629)**	(623)
Profit before income tax		**80,479**	48,766
Income tax expense	*7*	**(18,818)**	(13,717)
Profit for the period and total comprehensive income attributable to owners of the Company		**61,661**	35,049
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents)			
– Basic and diluted	*8*	**6.17**	4.67

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	**Unaudited 30 June 2016** *RMB'000*	Audited 31 December 2015 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**190,620**	126,925
Leasehold land and land use rights		**59,149**	59,874
Prepayments	*11*	**74,144**	45,515
Total non-current assets		**323,913**	232,314
Current assets			
Inventories		**45,851**	56,220
Trade and other receivables	*11*	**101,468**	71,036
Tax recoverable		**2,723**	–
Cash and cash equivalents		**209,683**	226,995
Total current assets		**359,725**	354,251
Total assets		**683,638**	586,565
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**248,057**	248,057
Reserves		**277,987**	241,225
Total equity		**526,044**	489,282
LIABILITIES			
Non-current liabilities			
Deferred revenue	*10*	**7,098**	–
Obligations under finance leases	*13*	**21,630**	–
Total non-current liabilities		**28,728**	–
Current liabilities			
Trade payables	*12*	**22,367**	9,175
Accruals and other payables		**18,663**	15,540
Amount due to the immediate holding company		**–**	5
Bank borrowings		**68,000**	68,000
Obligations under finance leases	*13*	**15,370**	–
Deferred revenue	*10*	**3,703**	–
Current income tax liabilities		**763**	4,563
Total current liabilities		**128,866**	97,283
Total liabilities		**157,594**	97,283
Total equity and liabilities		**683,638**	586,565

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

These condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016. The followings are other accounting policies which are relevant to the preparation of the condensed consolidated interim financial information for the six months ended 30 June 2016.

(a) Finance lease

Leases where the Group has acquired substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in obligation under finance leases. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leased assets are depreciated using a straight-line basis over their expected useful lives to residual values.

For sale and leaseback transactions resulting in a finance lease, excess of sales proceeds over net book values are deferred and amortised over the lease terms.

(b) Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(c) The following new standards, amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1 January 2016 and currently relevant to the Group:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 28, "Investments entities applying the consolidation exception"
- Amendment to HKERS 11, "Accounting for acquisition of interests in joint operations"
- HKFRS 14, "Regulatory deferral accounts"
- Amendments to HKAS 1, "The disclosure initiative"
- Amendments to HKAS 16 and HKAS 38, "Clarification of acceptable methods of depreciation and amortisation"
- Amendments to HKAS 16 and HKAS 41, "Agriculture: Bearer plants"
- Amendment to HKAS 27, "Equity method in separate financial statements"
- Annual improvements to HKFRSs – 2012-2014 cycle

The Group has adopted these standards and the adoption of these standards did not have significant impacts 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.

(d) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Group:

HKFRS 9,"Financial instruments"	1 January 2018
Amendments to HKFRS 10 and HKAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	*Note*
HKFRS 15, "Revenue from contracts with customers"	1 January 2018
HKFRS 16, "Leases"	1 January 2019

Note: To be announced by HKICPA

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

3 ESTIMATES

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

In preparing the 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 similar to those that were applied to the consolidated financial statements for the year ended 31 December 2015.

4 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.

The Company is domiciled in the British Virgin Islands while the Group operates its business in the PRC. The Group's revenue of RMB281,292,000 and RMB216,616,000 was generated from customers in the PRC, and the Group's revenue of RMB26,278,000 and RMB37,115,000 was generated from overseas customers for the six months ended 30 June 2016 and 2015, 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 5% of total revenue of the Group for any of the six months ended 30 June 2016 and 2015 are as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Customer A	**22,558**	21,669
Customer B	**19,074**	15,144
Customer C	**16,715**	17,944
Customer D	**12,045**	11,811

5 REVENUE

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 2016 and 2015 are as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Revenue		
Domestic sales	**281,292**	216,616
Direct overseas sales	**26,278**	37,115
Total sale of goods	**307,570**	253,731

6 OPERATING PROFIT

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Auditors' remuneration	**738**	704
Cost of inventories sold	**203,723**	165,856
Depreciation of property, plant and equipment	**3,836**	2,148
Amortisation on land use rights	**725**	–
Employee benefit expenses (including directors' emoluments)	**8,453**	9,564
Listing expenses	**–**	15,988
Operating lease payments	**220**	608
Net exchange gains	**(5,302)**	(127)
Other taxes	**3,096**	2,846

7 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

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

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current income tax		
PRC corporate income tax	**18,818**	13,717

8 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	
	2016	2015
Profit attributable to owners of the Company *(RMB$'000)*	**61,661**	35,049
Weighted average number of ordinary shares in issue *(thousand)*	**1,000,000**	750,000
Basic earnings per share *(RMB cents)*	**6.17**	4.67

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30 June 2016, the Group has share options which may result in dilutive potential ordinary shares (30 June 2015: Nil). Its calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share prices of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per shares for the period ended 30 June 2016 equal basic earnings per share as the exercise of outstanding share options would be anti-dilutive.

Diluted earnings per share for the period ended 30 June 2015 equal basic earnings per share as there were no potential dilutive shares existing during the period.

9 DIVIDENDS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Final dividend paid during the period:		
2015 final dividend HK$0.03 per share (2015: Nil)	**25,437**	–
Interim dividend declared subsequent to period end:		
2016 interim dividend HK$0.016 per share (2015: Nil)	**13,707**	–

The Board has declared that an interim dividend of HK$0.016 per share for the six months ended 30 June 2016 to shareholders whose names appear in the Register of Members on 30 September 2016.

10 PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2016 and 31 December 2015, the net book value of land and buildings was pledged to secure bank borrowings granted to the Group.

Construction in progress as at 30 June 2016 mainly represented the new office buildings constructed in the PRC.

At 6 June 2016, the Group had entered into sales and leaseback arrangements with a third party lessor amounted to RMB40,000,000 (31 December 2015: Nil). These sales and leaseback arrangements included sell of certain fixed assets with net book values of RMB28,889,000 at an aggregate consideration of RMB40,000,000 and were leased back to the Group for a period of 36 months. The Group has the option to purchase the leased assets at the end of lease term.

The differences between sales proceeds and net book value of fixed assets at the date of sales and leaseback agreements are deferred and amortised over the lease terms.

At 30 June 2016, the carrying amount of the Group's fixed assets held under finance lease included in the total amount of property, plant and equipment amounted to RMB40,000,000 (31 December 2015: Nil).

11 TRADE AND OTHER RECEIVABLES

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**88,604**	69,565
Prepayments	**85,371**	45,978
Other receivables	**1,637**	1,008
	175,612	116,551
Less: non-current portion		
Prepayments for land use rights	**(42,000)**	(42,000)
Prepayments for property, plant and equipment	**(32,144)**	(3,515)
	101,468	71,036

The Group's credit terms granted to wholesale customers generally ranged from 30 to 60 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
Less than 30 days	**62,881**	42,941
31 to 60 days	**25,706**	26,624
More than 60 days	**17**	–
	88,604	69,565

No significant default in the past was noted for existing customers with trade receivables that are neither past due nor impaired as at 30 June 2016. No provision for impairment of trade receivables was made as at 30 June 2016 and 31 December 2015.

12 TRADE PAYABLES

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

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
Less than 30 days	**20,853**	7,987
31 to 90 days	**1,056**	861
91 to 180 days	**249**	327
181 to 365 days	**9**	–
Over 365 days	**200**	–
	22,367	9,175

13 OBLIGATIONS UNDER FINANCE LEASES

As at 30 June 2016, the Group had certain fixed assets held under finance leases *(Note 10)*. Under the terms of the leases, the Group has the option to purchase at the end of the lease terms of 3 years. The obligations under finance leases are denominated in RMB.

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**17,810**	–
Later than 1 year and no later than 5 year	**22,940**	–
	40,750	
Future finance charges on finance lease	**(3,750)**	–
Present value of finance lease liabilities	**37,000**	–
The present value of finance lease liabilities is as follows:		
No later than 1 year	**15,370**	–
Later than 1 year and no later than 5 years	**21,630**	–
	37,000	–

MANAGEMENT DISCUSSION AND ANALYSIS

Tianyun International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) the production and sales of processed fruit products packaged in metal containers, plastic cups and glass containers and (ii) trading of fresh fruit. Processed fruit products are sold both on an OEM basis and under its own brands. On 7 July 2015, the Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which had further consolidated our leading position in China's processed fruit product industry.

With our commitment to providing the customers with healthy and safe products, we have always been adhering to stringent international production standards and are accredited with BRC(A), IFS Food (high), HALAL, QS, KOSHER and ISO22000 in respect of our production facilities, quality control and management.

In the first half of 2016 (the "Review Period"), we have once again received national recognition for our commitment to product quality and become the first and the only processed fruit manufacturer in the industry to be awarded the title of "China Quality Canned Food Certification Mark" for our preservation-free processed fruit products, setting a new benchmark in the industry.

BUSINESS REVIEW

During the Review Period, the global economy witnessed increased downside risks. The uncertainties arising from the Brexit referendum in June and the upcoming presidential election of the United States added further uncertainties to the economic recovery. During the Review Period, the PRC economy continued to slow down, plagued with domestic and overseas challenges. Facing these uncertainties, the Group continued its strategy to develop the OEM and own brand business in parallel, while proactively broadening online sales channels and expanding our business into overseas markets. With our unremitting efforts, the Group achieved satisfactory results despite the challenging operating environment during the Review Period, with revenue and net profit up by 21.3% and 76.3% to RMB307.6 million and RMB61.7 million respectively and revenue from our own brand business up by 80.9% to RMB90.1 million.

OEM SALES STRATEGY

Due to several factors such as reduced fruit yield and supply in major fruit production countries around the world, increasing demand for processed fruit products from the developed countries, coupled with China's competitive advantages in costs and supply of certain fruits as a result of its diverse fruit varieties and technology advancement, an increasing number of international fruit brand names and trading companies had turned to China for more procurement of fruits, from which the Group with its various international certifications had benefited greatly. Moreover, the implementation of more stringent food safety standards and environmental protection requirements by the PRC authorities has intensified the industry consolidation and the phase-out of backward entities across the country, which presents an excellent opportunity to accelerate business development for industry leaders like us. During the Review Period, we continued to increase our OEM customer base and the number of active OEM customers increased from 33 to 39 with an OEM revenue increase of 7.7%. In addition, due to the robust development of our own brand business, the contribution to total revenue from our five largest OEM customers decreased from 31.2% for the six months ended 30 June 2015 to 26.6% for the same period of 2016, and the total sales for the five largest OEM customers increased by 3.3% to RMB81.7 million.

OWN BRAND PRODUCT SALES STRATEGY

The Group had been making strenuous efforts to consolidate our own brand product business since last year by developing new products to enrich our product mix and also proactively broadening online and offline sales channels, driving substantial growth in revenue from our own brand products.

As to online sales, we had achieved marvelous sales performance on our major Wechat e-commerce platform by marketing products under our new brand "果三十" which was launched in 2016 and our existing own brands "果小懶" and "Tiantong Times". As the Wechat platform is relatively manageable, certain new fruit products with limited supply such as loquat was sold through the Wechat platform, laying a foundation for further promotion. The Company has established an e-commerce investigation department to follow up on and monitor the wechat marketing team, with the purpose of further enhancing our we wechat sales channel.

As to offline sales, the Group adopted a new distributorship system for our own brand business and had successfully broadened our distribution network during the Review Period. The number of our distributors increased from 82 for the year ended 31 December 2015 to 97 for the six months ended 30 June of 2016. Our own brand products were sold to 21 provinces, municipalities and autonomous regions across the country.

Furthermore, efforts were made to proactively exploit the overseas markets for our products under the Tiantong brand, which has currently gained a foothold in Hong Kong and has made its presence in over 1,000 stores under Wellcome, Seven-Eleven Convenience Store, Jusco, O'Farm and Circle K Convenience Store since July last year. In order to increase our exposure and improve our brand name awareness in Hong Kong, the Group started to place advertisements on TVB and Roadshow on buses since mid-July this year, and plans to participate in several promotion activities such as Food Expo, CMA Exhibition and free tasting events, with an aim to introducing our high-quality brand products with no additives to Hong Kong consumers.

TRADING OF FRESH FRUIT

The Group selected and resold a small portion of the fresh fruit to fresh fruit wholesalers in the PRC. During the Review Period, the revenue from trading of fresh fruit and others was approximately RMB46.9 million, representing 15.3% of the Group's total revenue. Due to the increase in revenue from OEM and own brand products, which represented the core competitiveness and also the key development segments of the Group, this segment continued to weigh lesser when compared with the same period of 2015.

EXPANSION OF PRODUCTION FACILITIES

In light of the increasing demand for quality processed fruit products from domestic and overseas consumers, the Group continued to improve our production facilities during the Review Period. Upgrading and transformation were carried out on the production lines of No.1 and No.2 workshops, in an effort to further enhance production automation and efficiency, and minimise labor costs and raw material wastage. With the commencement of operation of No.3 and No.4 workshops, our designed production capacity reached 84,000 tonnes per annum. In addition, the Group placed a refundable balance of RMB42.0 million at the PRC government in preparation for participating in the auction for a parcel of land close to our existing production facilities in 2015 and went on with the land acquisition for our No. 5 and No. 6 production lines during the Review Period. As of the date of this announcement, no consideration has been made.

Meanwhile, the Group had introduced more advanced quality control equipments such as gas chromatograph-mass and liquid chromatograph-mass spectrometer for detecting pesticide residual; atomic fluorescence and adoption spectrometer for detecting heavy metal; and X-ray machines that are used for detecting impurity during the packaging process. This brings our product ingredient safety and food production safety to a higher level and further enhances our competitiveness.

R&D AND PROMOTION

The Group is committed to developing new products that are safe and conveniently-consumed, so as to satisfy various needs of consumers. New products developed and launched by the Group during the Review Period or are about to be launched include:

(i) stewed pear soup with crystal sugar (冰糖燉梨產品): this brand-new functional product will mainly be marketed in hotel restaurants and entertainment premises. The Group will design a variable two-dimension code for the product, so that each product container can be scanned twice, once to deliver a fixed amount reward for salesmen and once to deliver variable reward for consumers, with an aim to attract more customers. This scan-code design will enable the Group to conduct product analysis on the sales amount, selling premises and consumer groups, collecting important data regarding product sales; (ii) fruit puree: following the launch of this fruit puree product, the Group will hold free tasting events with our existing products, so as to build up market awareness for this product, as well as boost sales and explore new markets for the existing products; (iii) fruit sorbet products: the Group is working together with a Japanese partner in upgrading this product; (iv) fruit jelly products: the Group has diversified its business into production and sales of fruit jelly products, and has successfully developed a wide variety of fruit jelly products which will be sold under our own brands; (v) online tailor-made products: the Group plans to launch online tailor-made products in the second half of the year, in an effort to expand our diversified services. The website is currently under construction.

FUTURE PROSPECT

The economic development has resulted in a faster pace of modern life, meanwhile, leading to a higher demand for healthy products. Therefore, the Group expects a continuously growing market for processed fruit products which are convenient for consumers. Being characterized as convenient, healthy, natural and delicious, our products cater for various needs of the consumers, gaining increasing popularity among the consumers. As one of the leading players in the industry, the Group will take actions to further consolidate our existing market share and expand our leading market position.

On the OEM sales side, the Group will strive to secure more international renowned brand customers. As far as own brand business is concerned, efforts will be made to extend our distributor network and business coverage. With our own brand business covering most regions across the country and the Hong Kong market, the Group will leverage on our brand name recognition in Hong Kong to penetrate into the markets in Guangdong province and hence the Pearl River Delta region. In addition, efforts will be made to develop new types of products, with a variety of tropical fruits such as papaya and mango expected to be launched under our own brands in the second half of the year. By processing various types of fruits in different seasons throughout the year, the Group will strive to minimize the impact on raw material supply attributable to seasonal factors. Furthermore, in the second half of the year, the Group will continue to enhance research and development, expand production capacity and carry out promotion activities through various media channels including satellite TV, online media, billboard and printed media, so as to enhance brand awareness of our products.

In order to improve our business transparency and to promote our brands, the Group has established an integrated development center, which will be put into operation by the end of the year. The integrated development center comprised of a training center (providing trainings for the sales and R&D staff), exhibition center (product showcases), conference center, R&D center and inspection center (large-scale inspection equipments to improve food safety), which will further improve product safety and help to establish a positive corporate image.

Looking forward, the Group will continue to enhance its profitability. Under the backdrop of industry consolidation, the Group will seize suitable opportunities for acquisitions and mergers, so as to further enrich our processed fruit product mix, improve production capacity and expand our operation scale. Based on our existing businesses, the Group will continue to implement the parallel development strategy with a focus on our own brand business. With the dedication and hardwork of our management and all staffs, we are confident in achieving a better performance.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2016, our revenue increased to approximately RMB307.6 million from approximately RMB253.7 million for the six months ended 30 June 2015, representing an increase of approximately RMB53.9 million or 21.3%. The Company continued to sell its processed fruit products on both OEM basis and under its own brand, and engaged in trading of fresh fruits. The increase in revenue was mainly attributable to (i) the increase in the OEM sales from approximately RMB158.4 million for the six months ended 30 June 2015 to approximately RMB170.6 million for the six months ended 30 June 2016, representing a growth of 7.7%; and (ii) the increase in the sales of our own brand products from approximately RMB49.8 million for the six months ended 30 June 2015 to approximately RMB90.1 million for the six months ended 30 June 2016, representing a growth of 80.9%.

Breakdown of the revenue by business segments for the six months ended 30 June 2016 and the comparative figures in 2015 are set out as follows:

	For the six months ended 30 June			
	2016	2015	Changes	
	RMB million	*RMB million*	*RMB million*	*%*
Revenue				
OEM Sales	**170.6**	158.4	12.2	7.7
Own Brand Sales	**90.1**	49.8	40.3	80.9
Fresh Fruits Sales and others	**46.9**	45.5	1.4	3.1
Total	**307.6**	253.7	53.9	21.3

Processed fruit products sold on an OEM basis contributed the most to the total revenue of the Group which represented 55.5% (2015: 62.4%) of the total revenue during the six months ended 30 June 2016. Our processed fruit products are sold to international well-known brand owners either by our Group directly to overseas brand owners and trading entities, or through third party trading entities in the PRC. The overall increase was driven by increase in purchase orders and number of active customers.

During the Review Period the sales of processed fruit products under our own brand accounted for 29.3% (2015: 19.6%) of the total revenue. The substantial increase was contributed by the continuous increase in the number of distributors under the new distributorship system since January 2015 and the demand on our products for online sales.

We also sold fresh fruit products and the revenue contributed by fresh fruit sales and others represented 15.3% of the total revenue for the six months ended 30 June 2016 (2015: 17.9%). Revenue from fresh fruit sales and others for the six months ended 30 June 2016 was broadly in line with last year.

Gross profit and gross profit margin

	For the six months ended 30 June			
	2016	2015	Changes	
	RMB million	*RMB million*	*RMB million*	*%*
Gross profit				
OEM Sales	**55.4**	50.5	4.9	9.7
Own Brand Sales	**28.0**	14.8	13.2	89.2
Fresh Fruits Sales and others	**10.8**	11.0	(0.2)	(1.8)
Total	**94.2**	76.3	17.9	23.5

	For the six months ended 30 June	
	2016	2015
Gross profit margin		
OEM Sales	**32.5%**	31.9%
Own Brand Sales	**31.1%**	29.7%
Fresh Fruits Sales and others	**23.0%**	24.2%
Overall	**30.6%**	30.1%

Gross profit for the six months ended 30 June 2016 increased to approximately RMB94.2 million from approximately RMB76.3 million for the six months ended 30 June 2015, representing a year-on-year increase of RMB17.9 million, or 23.5%. The increase in gross profit was mainly driven by the increase of revenue from both OEM Sales and Own Brand Sales. The improvement of gross profit margin was mainly contributed by the increase in sales and volume of processed fruit products packaged in plastic cups and glass containers which are the products with higher gross profit margins among the existing types of packaging.

Other income

Other income for the six months ended 30 June 2016 mainly represented deferred income in relation to the finance leases.

Selling and distribution expenses

Selling and distribution expenses mainly include the transportation costs, advertising expenses, salary expenses and related staff costs from sales and marketing department. For the six months ended 30 June 2016, the selling and distribution expenses amounted to approximately RMB5.1 million, representing a year-on-year increase of approximately RMB0.1 million, or 3%. The amount was broadly in line with last year.

General and administrative expenses

General and administrative expenses mainly include listing expenses, salary expenses and related staff costs for management and administrative departments, professional fees, depreciation, foreign exchange difference, and various taxes with regard to the use of land and buildings. The amount decreased from RMB21.9 million for the six months ended 30 June 2015 to RMB7.3 million for the six months ended 30 June 2016. Excluding the one-off listing expenses (2015: approximately RMB16.0 million), general and administrative expenses increased from RMB5.9 million to RMB7.3 million, representing an increase of approximately RMB1.4 million or 23.7% over the same period in 2015. The overall increase was mainly attributable to the increase in staff costs and professional fees after listing and additional depreciation and land tax expenses after the acquisition of land and buildings during the period, which was partly offset by the exchange gain.

Income tax expenses

Income tax expenses represent the PRC enterprise income tax of our PRC subsidiaries. For the six months ended 30 June 2016, our income tax expenses increased by RMB5.1 million, or approximately 37.2%, to RMB18.8 million from RMB13.7 million for the six months ended 30 June 2015. The increase in the income tax expenses was primarily due to the increase in our profit before tax during the period.

Net profit and net profit margin

	For the six months ended 30 June			
	2016	2015	Changes	
	RMB million	*RMB million*	*RMB million*	*%*
Net profit for the period	**61.7**	35.0	26.7	76.3
Adjustments:				
Listing expenses	**–**	16.0	(16.0)	(100)
Adjusted net profit for the period	**61.7**	51.0	10.7	21.0
Net profit margin	**20.1%**	13.8%	N/A	N/A
Adjusted net profit margin	**20.1%**	20.1%	N/A	N/A

For the six months ended 30 June 2016, net profit increased by approximately RMB26.7 million or 76.3% to approximately RMB61.7 million as compared to approximately RMB35.0 million for the six months ended 30 June 2015.

If the one-off listing expenses is excluded, the adjusted net profit increased from approximately RMB51.0 million for the six months ended 30 June 2015 to approximately RMB61.7 million for the same period in 2016, representing a growth of 21.0% or an increase of RMB10.7 million.

The net profit and adjusted net profit margin for the period under review are 20.1% (for the six months ended 30 June 2015: 13.8% and 20.1% respectively).

LIQUIDITY, FINANCIAL RESOURCES 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

	As at 30 June 2016	As at 31 December 2015
Gearing ratio *(%)*	**20.0%**	13.9%
Current ratio	**2.79**	3.64
Cash and cash equivalent *(RMB million)*	**209.7**	227.0
Net current assets *(RMB million)*	**230.6**	257.0
Quick ratio	**2.44**	3.07

The gearing ratio of the Group as at 30 June 2016 was 20.0% (31 December 2015: 13.9%). 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 finance leases.

The current ratio (calculated based on total current assets divided by total current liabilities) of the Group as at 30 June 2016 was 2.79 (31 December 2015: 3.64).

As at 30 June 2016, our cash and cash equivalents amounted to approximately RMB209.7 million (31 December 2015: RMB227.0 million). Our net current assets was approximately RMB230.9 million as at 30 June 2016, as compared to approximately RMB257.0 million as at 31 December 2015.

The quick ratio (calculated based on total currents assets minus inventory divided by total current liabilities) of the Group as at 30 June 2016 was 2.44 (31 December 2015: 3.07).

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 2016.

CAPITAL STRUCTURE

The Group's total equity and liabilities amounted to approximately RMB526.0 million and RMB157.6 million, respectively as at 30 June 2016 (31 December 2015: RMB489.3 million and RMB97.3 million).

BANK BORROWINGS, FINANCE LEASES AND FINANCE COST, NET

As at 30 June 2016, the total amount of interest-bearing bank borrowings and finance leases of the Group was RMB105.0 million (31 December 2015: RMB68.0 million). During the Review Period, the Group entered into two sale and lease back agreements on certain plant and equipment amounted to RMB40.0 million.

Finance costs, net of the Group increased from RMB0.6 million for the period ended 30 June 2015 to RMB1.6 million for the period ended 30 June 2016, representing an increase of approximately RMB1.0 million or 166.7%. Such increase was mainly attributable to the decrease of capitalization of borrowing costs amounting of RMB1.0 million. The weighted effective interest rates of bank borrowings was 5.9% as at 30 June 2016 (31 December 2015: 6.8%).

PLEDGED ASSETS

The Group pledged its land and buildings as collateral for bank borrowings and certain plant and equipment are under finance lease arrangements. As at 30 June 2016, the net book value of the pledged land and buildings, and plant and equipment amounted to approximately RMB117.6 million.

CAPITAL EXPENDITURE

During the Review Period, our total capital expenditure excluding finance leases amounted to RMB56.4 million (2015: RMB84.5 million). We spent approximately RMB42.5 million on additions to construction in progress for the integrated development center and RMB10.8 million on additions of plant and machinery. The remaining capital expenditure was made mainly on leasehold improvements and motor vehicles.

We also transferred a total amount of RMB55.2 million from construction in progress to building and leasehold improvements, and plant and machinery that were mainly related to the No. 3 and No. 4 workshops and the sewage treatment system, which amounted to approximately RMB41.0 million and RMB13.5 million respectively.

During the Review Period, the non-current portion of the prepayment amounted to RMB74.1 million. A refundable balance of RMB42.0 million at the PRC government was brought from last year in preparation for participating in the auction for a parcel of land for our No. 5 and No. 6 production workshops. An amount of approximately RMB31.3 million was prepaid for the construction of the integrated development center. The prepayment on plant and machinery of RMB3.5 million as at 31 December 2015 was transferred to fixed assets during the Review Period.

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 Review Period, the bank borrowings of the Group at variable rates and fixed rates were all denominated in Renminbi. 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 Renminbi. 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 currencies with overseas customers which are mostly in United States dollars. The monetary assets of the Group were denominated in Hong Kong dollars, Renminbi and United States dollars. The Group has not implemented any hedging measures to mitigate the aforesaid foreign exchange risk.

HUMAN RESOURCES

As at 30 June 2016, the number of employees of the Group was 583 (30 June 2015: 489). The increase in headcount was mainly from production function that and attributable to the opening of No. 3 and No. 4 new workshops during the Review Period.

The total staff costs, including Directors' emoluments, amounted to approximately RMB8.5 million for the period under review (the six months ended 30 June 2015: approximately RMB9.6 million). During the Review Period, 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 insurances, medical benefits and retirement funds to employees so as to sustain the competitiveness of the Group.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have other material capital commitments. In addition, 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 2016 amounted to approximately RMB12.8 million and mainly comprised the committed expenditure of building and leasehold component for the integrated development centre.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2016, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

The Group placed a refundable balance of RMB42.0 million at the PRC government in preparation for participating in the auction for a parcel of land close to our existing production facilities in 2015 and went on with the land acquisition for our No. 5 and No. 6 production lines during the Review Period. As of the date of this announcement, no consideration has been made.

The Group also intends to acquire a company in the PRC which is principally engaged in the production and sales of processed fruit products (the "Target Company"). The Group is currently in the process of conducting legal and financial due diligence on the Target Company. As at the date of this announcement, no legally-binding agreement has been entered into between the Group and the owners of the Target Company. Further details will be announced in accordance with Listing Rules in the due course once an intended acquisition is confirmed.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

No purchase, sale or redemption of the listed securities of the Company was made by the Company or any of its subsidiaries during six months ended 30 June 2016.

Subsequent to the Review Period, the Company has repurchased 750,000 Shares on 19 July 2016.

INTERIM DIVIDEND

The Board of Directors has resolved to pay an interim dividend for the six months ended 30 June 2016 of HK$0.016 per share (30 June 2015: Nil). The dividend will be payable on or around 24 October 2016 to shareholders whose names appear in the Company's Register of Members at the close of business on 30 September 2016, being the record date for determination of entitlement to the interim dividend.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 28 September 2016 to Friday, 30 September 2016, both days inclusive, on which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Tuesday, 27 September 2016.

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 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. 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. In response to a specific enquiry by the Company, all Directors confirmed that they 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 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 Yung Janet.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 have been reviewed by the Audit Committee and the Group's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

This announcement will be 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 2016 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 Chief Executive Officer

Hong Kong, 24 August 2016

As at the date of this announcement, the Board of the Company comprises (i) Mr. Yang Ziyuan and Mr. Sun Xingyu as the executive Directors; (ii) Ms. Chu Yinghong and Mr. Wong Yim Pan as the non-executive Directors; and (iii) Mr. Liang Zhongkang, Mr. Tsang Yuen Wai and Ms. Hui Yung Yung Janet as the independent non-executive Directors.