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

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock Code: 6836)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

### HIGHLIGHTS

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2020** | 2019 | Change |
| | **(Unaudited)** | (Unaudited) | |
| | ***RMB million*** | *RMB million* | |
| Revenue | **306.0** | 457.6 | (33.1%) |
| Gross profit | **85.5** | 127.9 | (33.2%) |
| Net profit | **47.7** | 70.3 | (32.1%) |
| Basic earnings per share (RMB) | **0.048** | 0.071 | (32.4%) |

| | **30 June 2020** | 31 December 2019 | Change |
|---|---|---|---|
| | (Unaudited) | (Audited) | |
| | ***RMB'million*** | *RMB'million* | |
| Total assets | **1,251.8** | 1,191.9 | 5.0% |
| Net assets | **915.5** | 894.1 | 2.4% |

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 2020, together with the unaudited comparative figures for the corresponding period in 2019, as follows:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2020*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2020** | 2019 |
| | | **(Unaudited)** | (Unaudited) |
| | *Note* | ***RMB'000*** | *RMB'000* |
| Revenue | *6* | **305,959** | 457,613 |
| Cost of sales | | **(220,455)** | (329,746) |
| **Gross profit** | | **85,504** | 127,867 |
| Other income | *6* | **415** | 811 |
| Other gains, net | *6* | **3,913** | 939 |
| Selling and distribution expenses | | **(5,974)** | (6,941) |
| General and administrative expenses | | **(23,566)** | (21,405) |
| Net reversal of impairment on financial assets | | **177** | – |
| **Operating profit** | *7* | **60,469** | 101,271 |
| Finance income | | **7,674** | 794 |
| Finance costs | | **(5,177)** | (6,722) |
| **Finance income/(costs) – net** | *8* | **2,497** | (5,928) |
| **Profit before income tax** | | **62,966** | 95,343 |
| Income tax expense | *9* | **(15,307)** | (25,046) |
| **Profit and total comprehensive income, net of tax for the period** | | **47,659** | 70,297 |
| **Profit and total comprehensive income attributable to:** | | | |
| Equity holders of the Company | | **47,772** | 70,297 |
| Non-controlling interest | | **(113)** | – |
| | | **47,659** | 70,297 |
| Earnings per share for profit attributable to equity holders of the Company (expressed in RMB dollar) | | | |
| – Basic earnings per share | *11* | **0.048** | 0.071 |
| – Diluted earnings per share | *11* | **0.048** | 0.071 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2020*

| | Note | 30 June 2020 (Unaudited) *RMB'000* | 31 December 2019 (Audited) *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Right-of-use assets | | **79,925** | 81,079 |
| Property, plant and equipment | *12* | **329,267** | 286,435 |
| Investment properties | *14* | **30,800** | 30,300 |
| Prepayments | *13* | **30,000** | 30,000 |
| Goodwill | | **1,104** | 1,104 |
| **Total non-current assets** | | **471,096** | 428,918 |
| **Current assets** | | | |
| Inventories | | **101,528** | 101,951 |
| Trade and other receivables | *13* | **173,851** | 187,583 |
| Restricted cash | | **5,000** | 1,407 |
| Cash and cash equivalents | | **500,313** | 471,992 |
| **Total current assets** | | **780,692** | 762,933 |
| **Total assets** | | **1,251,788** | 1,191,851 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | | **142,104** | 168,437 |
| Reserves | | **773,466** | 725,694 |
| | | **915,570** | 894,131 |
| Non-controlling interest | | **(142)** | (29) |
| **Total equity** | | **915,428** | 894,102 |

| | Note | 30 June 2020 (Unaudited) RMB'000 | 31 December 2019 (Audited) RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Contingent consideration payable | | **–** | 6,962 |
| Lease liabilities | | **144** | 355 |
| Deferred tax liabilities | | **3,611** | 3,067 |
| **Total non-current liabilities** | | **3,755** | 10,384 |
| **Current liabilities** | | | |
| Trade and bills payables | *15* | **26,494** | 29,066 |
| Accruals and other payables | *16* | **19,343** | 22,599 |
| Amount due to a substantial shareholder | | **57,774** | 20,301 |
| Amount due to the non-controlling interest | | **–** | 103 |
| Bank and other borrowings | *17* | **182,556** | 203,445 |
| Contingent consideration payable | | **10,170** | 6,963 |
| Lease liabilities | | **419** | 410 |
| Current income tax liabilities | | **9,516** | 4,478 |
| Dividend payable | | **26,333** | – |
| **Total current liabilities** | | **332,605** | 287,365 |
| **Total liabilities** | | **336,360** | 297,749 |
| **Total equity and liabilities** | | **1,251,788** | 1,191,851 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 BASIS OF PREPARATION

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

## 2 ACCOUNTING POLICIES

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

(a) The following amendments to standards are mandatory for the first time for the financial year beginning on or after 1 January 2020:

- Amendments to HKFRS 3, "Definition of a Business"
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, "Interest Rate Benchmark Reform"
- Amendments to HKFRS 16, "COVID-19 Related Rent Concessions"
- Amendments to HKAS 1 and HKAS 8, "Definition of Material"
- Conceptional Framework for Financial Report 2018, "Revised Conceptional Framework for Financial Reporting"

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

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

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| HKFRS 17 | Insurance Contracts | 1 January 2021 |
| Amendments to HKFRS 10 and HKAS 28 | Sales or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined by the HKICPA |

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

## 3 ESTIMATES

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

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

## 4 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

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

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

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

### (b) Liquidity risk

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

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

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

## 5 SEGMENT INFORMATION

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

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

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

### Segment assets and liabilities

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

### Information about major customers

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

## 6 REVENUE, OTHER INCOME AND OTHER GAINS, NET

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

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Other income** | | |
| Government subsidies | **143** | 742 |
| Rental income *(Note 14)* | **272** | 69 |
| | **415** | 811 |
| **Other gains, net** | | |
| Fair value gain on investment properties *(Note 14)* | **158** | 1,500 |
| Fair value change of the contingent consideration payable | **3,755** | (561) |
| | **3,913** | 939 |

## 7 OPERATING PROFIT

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Auditors' remuneration | **1,240** | 1,219 |
| Cost of inventories sold | **204,014** | 304,221 |
| Depreciation of property, plant and equipment *(Note 12)* | **10,369** | 10,160 |
| Depreciation of right-of-use assets | **1,154** | 857 |
| Employee benefit expenses (including directors' emoluments) | **17,359** | 24,699 |
| Lease expenses | **–** | 222 |
| Foreign exchange loss/(gain) | **1,988** | (119) |
| Land taxes, surcharges and other taxes | **2,854** | 2,495 |
| Net reversal of impairment on financial assets | **(177)** | – |

## 8 FINANCE INCOME/(COSTS) – NET

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

## 9 INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

## 10 DIVIDENDS

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

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

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

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

## 11 EARNINGS PER SHARE

### (a) Basic earnings per share

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

### (b) Diluted earnings per share

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

## 12 PROPERTY, PLANT AND EQUIPMENT

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

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

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

## 13 TRADE AND OTHER RECEIVABLES

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

### (a) Trade receivables

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

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

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

**(b) Impairment of trade receivables**

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

**(c) Prepayments and other receivables**

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

## 14 INVESTMENT PROPERTIES

| | **As at** | |
|---|---|---|
| | **30 June 2020** | 31 December 2019 |
| | **(Unaudited)** | (Audited) |
| | ***RMB'000*** | *RMB'000* |
| Opening balance at 1 January | **30,300** | 34,100 |
| Transfer from property, plant and equipment | **342** | 364 |
| Fair value change *(Note 6)* | **158** | (4,164) |
| | **30,800** | 30,300 |

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

| | **Six months ended** | |
|---|---|---|
| | **30 June 2020** | 30 June 2019 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Rental income *(Note 6)* | **272** | 69 |
| Fair value gain recognised | **158** | 1,500 |

**Principal investment properties**

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

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

## 15 TRADE AND BILLS PAYABLES

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

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

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

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

## 16 ACCRUALS AND OTHER PAYABLES

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

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

## 17 BANK AND OTHER BORROWINGS

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

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

Movements in bank and other borrowings are analysed as follows:

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

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

## 18 CONTINGENCIES

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

## 19 COMMITMENTS

### (a) Capital commitments

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

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

### (b) Operating lease commitments

*(i) As lessor*

The Group leases its investment properties (Note 14) under operating lease arrangements with leases generally negotiated for terms of less than one year. The terms of the leases generally also require the tenants to pay security deposits and may provide for periodic rent adjustments according to the then prevailing market conditions.

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

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

*(ii) As lessee*

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

**Business Review**

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

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

**Own Brand and OEM Business**

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

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

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

**Trading of Fresh Fruits**

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

**Production Capacity, Research and Development**

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

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

**Merger and Acquisition and Strategic Partnership**

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

**Fighting the Pandemic Together**

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

**Outlook**

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

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

## FINANCIAL REVIEW

### Revenue

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

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

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

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

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

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

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

**Other income, and other gains, net**

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

**Gross profit and gross profit margin**

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

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

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

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

**Selling and distribution expenses**

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

### General and administrative expenses

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

### Income tax expenses

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

### Net profit and net profit margin

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

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

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

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

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

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

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

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

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

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

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

**Capital structure**

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

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

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

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

**Pledged assets**

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

**Capital expenditure**

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

**Interest rate risk**

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

**Foreign currency exposure**

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

### Human resources

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

### Commitments and contingent liabilities

As at 30 June 2020, the 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 2020 amounted to approximately RMB50.2 million (31 December 2019: RMB49.3 million).

### Material acquisitions and disposals

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

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

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

## INTERIM DIVIDEND

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

## AUDIT COMMITTEE

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

## REVIEW OF INTERIM RESULTS

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

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

## SUBSEQUENT CHANGE AFTER 30 JUNE 2020

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

## 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 2020 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, 26 August 2020

*As at the date of this announcement, the Board of the Company comprises (i) Mr. Yang Ziyuan, Mr. Sun Xingyu and Mr. Wang Hu as the executive Directors; (ii) Ms. Chu Yinghong, Mr. Wong Yim Pan and Mr. Liu Zhumeng as the non-executive Directors; and (iii) Mr. Liang Zhongkang, Prof. Lu Yuanping and Mr. O'Yang Wiley as the independent non-executive Directors.*