

more FRESH and
HEALTHY choices



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

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 6836.HK

INTERIM REPORT 2021



Contents

Corporate Information	2
Management Discussion and Analysis	3
Auditor's Independent Review Report	11
Interim Condensed Consolidated Statement of Comprehensive Income	12
Interim Condensed Consolidated Statement of Financial Position	13
Interim Condensed Consolidated Statement of Changes in Equity	15
Interim Condensed Consolidated Statement of Cash Flows	16
Notes to the Condensed Consolidated Interim Financial Information	17
Other Information	36

Corporate Information

Board of Directors

Executive Directors

Mr. Yang Ziyuan (*Chairman and Chief Executive Officer*)
Mr. Sun Xingyu
Mr. Wang Hu (*resigned on 4 March 2021*)

Non-executive Directors

Ms. Chu Yinghong
Mr. Wong Yim Pan
Mr. Liu Zhumeng (*resigned on 4 March 2021*)

Independent Non-executive Directors

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

Audit Committee

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

Nomination Committee

Mr. Yang Ziyuan (*Chairman*)
Mr. Wang Hu (*resigned on 4 March 2021*)
Mr. Liang Zhongkang
Prof. Lu Yuanping
Mr. O'Yang Wiley

Remuneration Committee

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

Strategic Development Committee

Mr. Yang Ziyuan (*Chairman*)
Mr. Sun Xingyu
Ms. Chu Yinghong
Mr. Wong Yim Pan
Mr. Liang Zhongkang
Mr. Liu Zhumeng (*resigned on 4 March 2021*)
Mr. Ho Ho Tung Armen

Company Secretary

Mr. Ho Ho Tung Armen

Authorised Representatives

Mr. Sun Xingyu
Mr. Ho Ho Tung Armen

Principal Place of Business in China

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

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

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

Principal Place of Business in Hong Kong

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

Branch Share Registrar and Transfer Office Hong Kong

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

Legal Adviser as to Hong Kong Law

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

Legal Adviser as to PRC Law

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

Principal Bankers

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

Auditor

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

Company's Website

<http://www.tianyuninternational.com>

Enquiries

info@tianyuninternational.com

Stock Code

6836

Management Discussion and Analysis

Business Review

During the first half of 2021, China's economy enjoyed a strong start with consumption and investment in the manufacturing sector driving continuous growth. Consumption confidence has steadily recovered while the consumer market exhibits vitality. According to data from the National Bureau of Statistics of China, China's economy grew by 7.9% year-on-year during the second quarter of 2021. It is the fifth consecutive quarter of growth for China's economy and demonstrates a trend of sustained recovery. On the demand side, government policies to boost internal demand and stimulate consumption have been effective. With a continuous increase in consumption demand, final consumption expenditure contributed to 61.7% of the economic growth in the first half of 2021, making it a major driving force of the economy. Furthermore, government policies to stabilise foreign trade continued to have an impact as China's net export continued to drive economic growth, strengthening its role in contributing to economic growth.

For the six months ended 30 June 2021 (the "Review Period"), the Group's revenue, gross profit and net profit grew by 54.3%, 54.2% and 87.6% to RMB472.2 million, RMB131.8 million and RMB89.5 million, respectively. The Group maintained a flourishing business and a robust financial position. It continuously achieved research and development breakthroughs and increased production capacity, and made sustained efforts in improving production efficiency and product mix. As one of the food enterprises with the most complete set of quality and food safety certifications, the Group maintained high standards of product quality, strengthened enterprise core competitiveness and achieved encouraging results and performance.

During the Review Period, the Group achieved positive development momentum in Central China. In June 2021, in connection with the acquisition of the entire equity interest in Tiantong Foods (Yichang) Ltd., the Group completed the allotment and issue of 13,050,000 ordinary shares as consideration shares to the vendor for Tiantong Foods (Yichang) Ltd. having achieved a substantial proportion of the production volume guarantee of 80,000 tonnes of processed fruits and the total revenue guarantee from its principal business of RMB700 million during the agreed period. This demonstrates the effectiveness of the performance-linked incentive mechanism included in the acquisition agreement which the Group had entered into, and also demonstrates to the Group's sustained increase in production efficiency and synergistic creation of production capacity, which helps the Group develop new types of subtropical processed fruit products in Central China and optimise the Group's arrangements with warehousing and transportation of our own brand products. Additionally, the Group's new project in Yuan'an County of Yichang City has strategic significance for the Group's expansion in the Central China market as it will effectively raise the Group's production capacity of beverage products.

Own Brand and OEM Business

The Group maintained intensive efforts in developing its marketing strategy to enhance market penetration and recognition of our own brands. The Group organised promotional activities in conjunction with different themes and festivals, and participated in major industrial product exhibitions and fairs. The market responded positively towards the Group's natural and quality food and beverage products as well as diversified packaging. As of 30 June 2021, products under the Group's own brands were sold in 27 provinces, direct municipalities and autonomous regions across the PRC, with a sales network covering renowned chain supermarkets and stores such as RT MART, AEON, Jingkelong, JHCVS and Jiajiali.

During the Review Period, the Group launched its new own brand "享派Shiok Party" vitamin sports drink, centred around sports and healthiness, in the health and functional beverage market in China, bringing a brand new, healthy and safe choice to consumers. The "享派Shiok Party" series beverages is made of natural and healthy ingredients and contain no added synthetic caffeine or preservatives. These product features match health-conscious trends that focus on three major aspects of low calorie intake, exercise and health. Catering to market demand with functionality, flavours, and brand new product and brand image, it has won the hearts of consumers and swept across markets, and its success has been recognised by our distributors and customers, helping the Group to secure its first step towards establishing a "crossover" position in the beverage industry.

The Group also launched a proprietary developed chunky fruit beverage "妖果季" in March this year. Combining fruit chunks, fruit juice and vitamins into a single can, the new product, designed to cater to market and consumer demands, made its debut at the 2021 Spring Food and Drinks Fair and instantly attracted strong interest from the market and distributors. Currently, the Group has released three flavours - peach, grape and strawberry, and it is expected that the chunky fruit beverage with other flavours including lychee, orange, coconut, hawthorn, pear and loquat will be launched gradually in the future. The Group will also continue to launch new products under its own brands "繽果時代 (Bingo Time)", "天同時代 (Tiantong Times)", and "果小懶 (fruit zz)" or other new brands.

Management Discussion and Analysis (Continued)

The Group's OEM business continued to contribute stable revenue to the Group, with business coverage over renowned international brands in regions across the five continents, including the United Kingdom, Europe, Canada, the United States, Australia, New Zealand, Southeast Asia, and Japan. Despite the volatility of the global pandemic situation, there is still a robust worldwide appetite for importing various processed fruit products made in China.

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 an analysis conducted by iiMedia Research, China's fresh food retail market will maintain its growth momentum. It is expected that by 2025, the size of China's fresh food retail market will reach RMB6,800 billion. 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 markets, and bring a richer and more diversified variety of quality fruits to consumers at large.

Research and Development, and Production Capacity

The Group has been actively preparing for the launch of new beverage products and intensifying its efforts to diversify its range of products and brand portfolio. It is expected that the annual designed production capacity of the Group's new beverage products will be no less than 50,000 tonnes in 2021. The new beverage products can also complement the Group's strategy to enhance the overall production efficiency even though the processed fruit industry has some production limitations arising from the seasonality in the supply of certain specific types of fruit.

The Group continued to improve its technology during the Review Period and promote a more extensive range of products and flavours. A series of new packaging preferred by younger age groups was designed, one of which will adopt the elements of Chinese traditions as its theme – a fusion of product characteristics and made in China, in an effort to build a China chic brand and satisfy the desire for new tastes and demand for diverse fruit products and beverages from consumers.

The Group is always improving production facilities in order to raise our level of automation and production efficiency. Currently, construction has fully commenced for the Group's new No. 5 and No. 6 production workshops in Shandong and has made remarkable progress. It is expected that construction will be completed and operations will commence in 2021. The Group's overall production capacity will progressively increase along with higher levels of automation.

In addition, the Group is setting up a production base in the Honghe Hani and Yi Prefecture of Yunnan Province in China, which is expected to commence operation in 2022. The Yunnan production base has a planned land area of over 130,000 square metres with total designed production capacity of 90,000 tonnes per annum. The Group intends to establish a research centre, processing centre, grading centre, sales and trading centre, and storage and logistics center, focusing on tropical processed fruit products. The tentative scope of business of the Yunnan production base includes the production and sales of products including canned fruits and vegetables, beverages, fresh fruits and vegetables and jelly. The Yunnan production base will achieve synergies with the Group's production bases in Shandong and Hubei Province, while the Group will benefit from the expansion in production facilities, enrichment of processed fruit varieties and growth in market coverage in China as it further develops production and sales of temperate, subtropical and tropical processed fruit products and beverages. Together, the three major processed fruit production bases will help the Group to strengthen its presence in North China, Central China and Southwest China. At the same time, the Yunnan production base will facilitate greater optimisation of the Group's arrangements on warehousing and transportation across China, thereby enhancing cost efficiency of our own brand products.

Merger and Acquisition and Strategic Partnership

The Group is always actively seeking opportunities for mergers and acquisitions and strategic partnerships in the hopes of enhancing its existing business, expanding its business network, exploring new technology, new products and new markets, and strengthening the Group's overall competitiveness. During the Review Period, the Group has successfully expanded from its focus on processed fruit products to the field of beverages. In particular, the first product in the vitamins sports functional beverage series under our own brand "享派Shiok Party" was launched with great success. It is expected that other fruit juice vitamins sports beverage products with different features and flavours will soon follow and will gradually be introduced to international markets. The Group will continue to monitor other potential domestic and international merger and acquisition and strategic partnership opportunities, developing new products and new markets, in order to complement the Group's inherent growth strategy and achieve better long-term development.

Management Discussion and Analysis (Continued)

Outlook

Looking ahead, the world economy is set to continue its recovery under faster vaccination rates and more relaxed global mobility. Increased economic activity will create stronger demand. This being the first year of China's 14th Five-Year Plan, the government will focus on high quality, green and balanced development, opening more opportunities for businesses at large. Regarding consumption, the 14th Five-Year Plan emphasizes the strengthening of the domestic market. Efforts in expanding domestic demand will face the challenge of a complex and volatile external environment, but with government policy support, retail consumption and services will continue to improve and lead the way as the main drivers behind the next stage of economic recovery.

The Group will maximise its capture on the massive opportunities within the new normal in the post-pandemic era, developing and providing more varieties of healthy quality food and beverages to satisfy the demands of our customers. According to the 2020 Report on China's Beverage Industry Segments Development and Case Studies published by iiMedia Research in 2020, from 2014 to 2019, sales of sports and energy drinks grew at a CAGR of 15.0%, making this the fastest growing product segment. The 2021 China Consumers Report also shows that under the impact of the pandemic, 31% of the respondents have taken a stronger interest in sports and a healthy diet. Following the launch of "享派Shiok Party" beverage product, the Group's fruit juice vitamins sports beverage product series will be available in more flavours in the future as part of its efforts in solidifying its "crossover" strategic development.

Further, the Group will continue to optimise its sales network positioning, expand regional coverage of its own brand products, further strengthen cooperation with distribution partners and customers, and promote the progressive innovation and upgrade its own brand business, thus forming a strong growth momentum in the future. With our Shandong and Hubei production bases providing new production capacity, it is expected that the Group's production capacity for beverage products, existing processed fruit products and new types of fruit products will increase significantly, creating a stronger foundation for the Group to grow from strength to strength within the ever-changing landscape, further expanding its market share in China and the global market, and attain sustainable development.

Financial Review

Revenue

During the Review Period, our revenue increased to approximately RMB472.2 million from approximately RMB306.0 million for the six months ended 30 June 2020, representing an increase of approximately RMB166.2 million or 54.3%. The Group continued to sell its processed fruit and beverage products under its own brand and on an OEM basis, and engaged in trading of fresh fruits. The increase in revenue during the Review Period was attributable to the increase in the sales of our own brand products, OEM products, and fresh fruits and others of approximately RMB149.3 million, RMB12.5 million, and RMB4.4 million respectively.

Breakdown of the revenue by business segments for the six months ended 30 June 2021 and the comparative unaudited figures in 2020 is set out as follows:

	For the six months ended 30 June (unaudited)			
	2021 RMB million	2020 RMB million	Changes RMB million	%
Revenue				
Own Brand Sales	311.5	162.2	149.3	92.0
OEM Sales	130.9	118.4	12.5	10.6
Fresh Fruits Sales and others	29.8	25.4	4.4	17.3
Total	472.2	306.0	166.2	54.3

Management Discussion and Analysis (Continued)

During the Review Period, revenue from our sales of processed fruits and beverage products under our own brand accounted for 66.0% (2020: 53.0%) of the total revenue and represented the largest business segment of the Group. Our own brand sales increased from approximately RMB162.2 million for the six months ended 30 June 2020 to approximately RMB311.5 million for the six months ended 30 June 2021, representing an increase of approximately RMB149.3 million or 92.0%. The substantial increase was contributed by the increase in sales from both our processed fruit products and newly launched beverage products.

Revenue from sales of processed fruit products on an OEM basis continued to contribute a significant portion of the total revenue of the Group and represented 27.7% (2020: 38.7%) of the total revenue during the Review Period. Our processed fruit products are mainly sold to international and well-known brand owners either by the Group directly to overseas brand owners or trading entities, or through local import and export entities based in the PRC. During the Review Period, revenue from OEM sales increased by RMB12.5 million or 10.6% from approximately RMB118.4 million for the six months ended 30 June 2020 to approximately RMB130.9 million for the six months ended 30 June 2021. During the Review Period, the COVID-19 continued to affect the consumption, commercial and tourism activities around the world. Many of the international trade fairs and exhibitions were cancelled or postponed.

We continued to trade a small portion of our fresh fruits to fresh fruits wholesalers during the Review Period. Revenue contributed by fresh fruit sales and others represented 6.3% of the total revenue for the six months ended 30 June 2021 (2020: 8.3%). Revenue from fresh fruit sales and others during the Review Period increased by RMB4.4 million or 17.3% to approximately RMB29.8 million. The increase in revenue of fresh fruits sales followed the increase in revenue from the sales of processed fruit products.

Gross profit and gross profit margin

	For the six months ended 30 June (unaudited)			
	2021 RMB million	2020 RMB million	Changes RMB million	%
Gross profit				
Own Brand Sales	90.2	47.9	42.3	88.3
OEM Sales	33.9	34.7	(0.8)	(2.3)
Fresh Fruits Sales and others	7.7	2.9	4.8	165.5
Total gross profit	131.8	85.5	46.3	54.2

Gross profit for the six months ended 30 June 2021 increased to approximately RMB131.8 million from approximately RMB85.5 million for the six months ended 30 June 2020, representing a period-on-period increase of RMB46.3 million, or 54.2%. The increase was mainly driven by the increase in revenue from own brand sales.

Management Discussion and Analysis (Continued)

	For six months ended 30 June (unaudited)	
	2021	2020
Gross profit margin		
Own Brand Sales	29.0%	29.5%
OEM Sales	25.9%	29.3%
Fresh Fruits Sales and others	25.8%	11.4%
Overall gross profit margin	27.9%	27.9%

During the Review Period, the overall gross profit margin was approximately 27.9% which was the same as in 2020. The increase in gross profit margin from the sales of beverage products was offset by the overall decrease in the gross profit margin from the sales of the processed fruit products.

Other income and other gains

During the Review Period, other income mainly represented rental income from investment properties. Other gains mainly represented the fair value change in contingent consideration payable with regard to the acquisition of the effective equity interest in Yichang Tiantong.

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 2021, the selling and distribution expenses increased from approximately RMB6.0 million for the six months ended 30 June 2020 to approximately RMB11.4 million, representing a period-on-period increase of approximately RMB5.4 million, or 90.0%. The increase was mainly attributable to the increase in promotion and advertising expenses 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, research and development costs, professional fees, depreciation and amortisation, foreign exchange differences, and various taxes with regard to the use of land and buildings. The amount of expenses decreased from RMB23.4 million for the six months ended 30 June 2020 to RMB22.1 million for the six months ended 30 June 2021, representing a period-on-period decrease of approximately RMB1.3 million, or 5.6%.

Without taking into account the effect of exchange difference during the Review Period, general and administrative expenses increased by approximately 22.9% or RMB4.9 million for the six months ended 30 June 2021, which was mainly driven by the increase in research and development costs, and depreciation expenses.

Income tax expenses

Income tax expenses represent mainly the PRC enterprise income tax payable by our PRC subsidiaries. For the six months ended 30 June 2021, our income tax expenses increased by RMB1.9 million, or approximately 12.4%, to RMB17.2 million from RMB15.3 million for the six months ended 30 June 2020. The overall increase in the income tax expenses was primarily due to the increase in our assessable income in the PRC which was partially offset by the reduction of effective tax rate due to the award of Hi-tech Enterprise Certificate in the PRC.

Net profit and net profit margin

For the six months ended 30 June 2021, net profit increased by approximately RMB41.8 million or 87.6% to approximately RMB89.5 million as compared to approximately RMB47.7 million for the six months ended 30 June 2020. The overall increase in net profit during the Review Period was mainly due to the increase in revenue, increase in net finance income and reduction in effective income tax rate. The net profit margin for the Review Period was 19.0% (2020: 15.6%).

Management Discussion and Analysis (Continued)

Liquidity, Financial Resources and Capital Resources

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

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

	As at 30 June 2021	As at 31 December 2020
Gearing ratio (%)	16.7%	17.7%
Current ratio	2.44	2.44
Cash and cash equivalent (RMB million)	486.5	528.3
Net current assets (RMB million)	464.6	495.2
Quick ratio	2.13	2.19

The gearing ratio of the Group as at 30 June 2021 was 16.7% (31 December 2020: 17.7%). 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 2021 was 2.44 (31 December 2020: 2.44).

As at 30 June 2021, our cash and cash equivalents amounted to approximately RMB486.5 million (31 December 2020: RMB528.3 million). Our net current assets was approximately RMB464.6 million as at 30 June 2021, as compared to approximately RMB495.2 million as at 31 December 2020.

The quick ratio (calculated based on total current assets (excluding inventory) divided by total current liabilities) of the Group as at 30 June 2021 was 2.13 (31 December 2020: 2.19). With stable cash inflows generated in the daily business operation, the Group has sufficient financial resources for potential future expansion.

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

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

Capital structure

The Group's total equity and liabilities amounted to approximately RMB1,123.4 million and RMB328.4 million, respectively as at 30 June 2021 (31 December 2020: RMB1,016.5 million and RMB347.7 million).

Management Discussion and Analysis (Continued)

Bank and other borrowings, and net finance costs

As at 30 June 2021, the total amount of interest-bearing bank and other borrowings was approximately RMB187.9 million (31 December 2020: RMB180.4 million).

Net finance income or costs of the Group represents finance income less finance costs. Net finance income increased from approximately RMB2.5 million for the six months ended 30 June 2020 to approximately RMB5.1 million for the six months ended 30 June 2021, representing an increase of approximately RMB2.6 million.

During the Review Period, the finance income increased by approximately RMB0.8 million or 10.4% and finance costs decreased by approximately RMB1.8 million or 34.6%. The increase in net finance income was mainly attributable to the increase in interest income from bank deposits and decrease in effective interest rate on borrowings.

Pledged assets

The Group has pledged its right-of-use assets and buildings as collaterals for the bank borrowings. As at 30 June 2021, the net book value of pledged right-of-use assets and buildings amounted to approximately RMB145.5 million (31 December 2020: RMB147.5 million).

Capital expenditure

During the Review Period, the construction of the new No. 5 and No. 6 workshops was under progress and capital expenditure of approximately RMB32.5 million had been expended as of 30 June 2021. Approximately RMB15.8 million were expended in relation to upgrading works and addition of facilities and machineries for our production bases in Shandong and Hubei provinces. The non-current portion of the prepayment mainly included a refundable balance of RMB96.0 million at the PRC Government in preparation for participating in the land auction.

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 of the Group. The 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 at fixed interest rates also expose the Group to fair value interest rate risk. During the Review Period, the bank and other borrowings of the Group at variable rates and fixed rates were all denominated in Renminbi or Hong Kong Dollars ("HKD"). The cash deposits placed with banks generate interest at the prevailing market interest rate.

Foreign currency exposure

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

Management Discussion and Analysis (Continued)

Human resources

As at 30 June 2021, the number of employees of the Group was 685 (31 December 2020: 645). The total staff costs, including Directors' emoluments, amounted to approximately RMB24.8 million for the Review Period (30 June 2020: approximately RMB17.4 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 2021, 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 2021 amounted to approximately RMB56.7 million (31 December 2020: RMB56.9 million).

Material acquisitions and disposals

During the six months ended 30 June 2021 and up to the date of this report, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

Principal risks and uncertainties

The Group is exposed to a number of risks in its business operations. Details of the risks and uncertainties the Group faced during the six months ended 30 June 2021 remain the same as those disclosed in the paragraph headed "Principal risks and uncertainties" in the "Report of the Directors" section of the 2020 annual report.

Auditor's Independent Review Report



羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 12 to 35, which comprises the interim condensed consolidated statement of financial position of Tianyun International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2021

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenue	7	472,199	305,959
Cost of sales	8	(340,410)	(220,455)
Gross profit		131,789	85,504
Other income	7	461	415
Other gains, net	7	2,963	3,913
Selling and distribution expenses	8	(11,439)	(5,974)
General and administrative expenses	8	(22,085)	(23,566)
Net reversal of impairment on financial assets	8	–	177
Operating profit		101,689	60,469
Finance income		8,494	7,674
Finance costs		(3,438)	(5,177)
Finance income – net	9	5,056	2,497
Profit before income tax		106,745	62,966
Income tax expense	10	(17,234)	(15,307)
Profit and total comprehensive income, net of tax for the period		89,511	47,659
Profit and total comprehensive income attributable to:			
Equity holders of the Company		89,511	47,772
Non-controlling interest		–	(113)
		89,511	47,659
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB dollar)			
– Basic earnings per share	12	0.090	0.048
– Diluted earnings per share	12	0.090	0.048

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

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		77,417	78,638
Property, plant and equipment	13	420,206	384,447
Investment properties	15	30,300	30,300
Prepayments	14	135,217	31,419
Goodwill		1,104	1,104
Total non-current assets		664,244	525,908
Current assets			
Inventories		101,306	86,969
Trade and other receivables	14	194,754	218,064
Restricted cash		5,000	5,000
Cash and cash equivalents		486,514	528,287
Total current assets		787,574	838,320
Total assets		1,451,818	1,364,228
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	16	158,929	141,685
Reserves		964,458	874,947
		1,123,387	1,016,632
Non-controlling interest		-	(147)
Total equity		1,123,387	1,016,485

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2021

	<i>Note</i>	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		5,488	4,590
Current liabilities			
Trade and bills payables	18	18,614	19,776
Accruals and other payables	19	28,398	28,570
Amount due to a substantial shareholder	23	79,526	81,630
Bank and other borrowings	20	187,860	180,388
Contingent consideration payable		–	20,207
Lease liabilities		141	355
Current income tax liabilities		8,404	12,227
Total current liabilities		322,943	343,153
Total liabilities		328,431	347,743
Total equity and liabilities		1,451,818	1,364,228

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to equity holders of the Company					
	Reserves (Note 17)					
	Share capital RMB'000	Shares held under share award scheme RMB'000	Other reserves RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2021	141,685	(2,080)	877,027	1,016,632	(147)	1,016,485
Comprehensive income						
Profit for the period	-	-	89,511	89,511	-	89,511
Total comprehensive income for the period	-	-	89,511	89,511	-	89,511
Transactions with owners						
Issuance of shares	17,244	-	-	17,244	-	17,244
Disposal of a subsidiary	-	-	-	-	147	147
Total transactions with owners	17,244	-	-	17,244	147	17,391
Balance at 30 June 2021 (Unaudited)	158,929	(2,080)	966,538	1,123,387	-	1,123,387

For the six months ended 30 June 2020

	Attributable to equity holders of the Company					
	Reserves (Note 17)					
	Share capital RMB'000	Shares held under share award scheme RMB'000	Other reserves RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2020	168,437	(2,080)	727,774	894,131	(29)	894,102
Comprehensive income						
Profit for the period	-	-	47,772	47,772	(113)	47,659
Total comprehensive income for the period	-	-	47,772	47,772	(113)	47,659
Transactions with owners						
Dividends declared relating to 2019 (Note 11)	(26,333)	-	-	(26,333)	-	(26,333)
Total transactions with owners	(26,333)	-	-	(26,333)	-	(26,333)
Balance at 30 June 2020 (Unaudited)	142,104	(2,080)	775,546	915,570	(142)	915,428

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cash flows from operating activities		
Cash generated from operations	120,982	72,891
Interest paid	(3,438)	(4,997)
Income tax paid	(20,159)	(9,725)
Net cash generated from operating activities	97,385	58,169
Cash flows from investing activities		
Purchases of property, plant and equipment	(48,926)	(53,724)
Prepayments for property, plant and equipment	(7,798)	–
Prepayment for land	(96,000)	–
Interest received	8,494	7,674
Net cash used in investing activities	(144,230)	(46,050)
Cash flows from financing activities		
Cash received from a substantial shareholder	–	36,471
Proceeds from bank borrowing	88,000	82,600
Repayments of bank borrowing	(78,120)	(104,609)
Principal element of lease payments	(214)	(202)
Net cash generated from financing activities	9,666	14,260
Net (decrease)/increase in cash and cash equivalents	(37,179)	26,379
Cash and cash equivalents at beginning of the period	528,287	471,992
Exchange difference	(4,594)	1,942
Cash and cash equivalents at end of the period	486,514	500,313

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

Notes to the Condensed Consolidated Interim Financial Information

1 General information

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

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

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

On 5 March 2021, Sichuan Development International Holding Company Limited (四川發展國際控股有限公司) (“SDIH”), a then substantial shareholder of the Company, transferred all of the 263,914,740 shares in the Company held by it, being 27% of the equity interest in the Company, to Rainbow Lead Ventures Limited (“RLVL”), a company incorporated in the BVI with limited liability. Following the transfer, SDIH ceased to have any interest in the Company and RLVL became a substantial shareholder of the Company.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”) and rounded to the nearest thousand RMB, unless otherwise stated.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2021 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and has been prepared under the historical cost convention as modified by the valuation of investment properties and contingent consideration payable, which are stated as fair value.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, 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 2021.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

3 Accounting policies (Continued)

- (a) A number of amendments to standards are mandatory for the first time for the financial year beginning on or after 1 January 2021. The adoption of these amendments 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, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted by the Group.

		Effective for accounting period beginning on or after
Amendment to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendment to HKAS 37	Onerous Contracts Cost of Fulfilling a Contract	1 January 2022
Amendment to HKFRS 3	Update Reference to Conceptual Framework	1 January 2022
Annual improvements	Annual Improvement 2018-2020 Cycle	1 January 2022
Amendment to Account Guideline 5	Merger Account for Common Control Combinations	1 January 2022
Amendment to HKAS 1	Classification of Liabilities as Current and Non- current	1 January 2023
Amendment to HKAS 1	HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendment to HKAS 8	Definition of Accounting Estimates	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HK Interpretation 5 (2020)	Classification by the Borrower of a Repayment on Demand Clause	1 January 2023
Amendment to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

4 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5 Financial risk management

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

There have been no significant changes in the risk management policies since 31 December 2020.

5.2 Liquidity risk

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

As at 30 June 2021, the Group has contractual undiscounted cash outflow for financial liabilities of RMB302,231,000 (31 December 2020: RMB296,364,000).

The Group holds cash and cash equivalents of approximately RMB486,514,000 (31 December 2020: RMB528,287,000) and trade receivables of approximately RMB169,209,000 (31 December 2020: RMB173,297,000) that are expected to generate cash inflows for managing liquidity risk.

5.3 Fair value estimation

Financial assets and liabilities

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

Financial assets and liabilities (Continued)

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

	Level 3 As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Liability		
Contingent consideration payable	–	20,207

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

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

6 Segment information

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

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

The Company is domiciled in BVI while the Group operates its business in the People's Republic of China ("PRC"). For the six months ended 30 June 2021, the Group's revenue of approximately RMB451,273,000 (for the six months ended 30 June 2020: RMB276,537,000) was generated from domestic and overseas customers which are based in the PRC and the Group's revenue of approximately RMB20,926,000 (for the six months ended 30 June 2020: RMB29,422,000) was generated from direct sales to overseas customers.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6 Segment information (Continued)

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 2021 (2020: Nil).

7 Revenue, other income and other gains, net

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenue recognised at a point in time		
Domestic sales	451,273	276,537
Direct overseas sales	20,926	29,422
Total sales of goods	472,199	305,959
Other income		
Government subsidies	70	143
Rental income (Note 15)	391	272
	461	415
Other gains, net		
Fair value gain on investment properties (Note 15)	–	158
Fair value change of the contingent consideration payable	2,963	3,755
	2,963	3,913

Notes to the Condensed Consolidated Interim Financial Information (Continued)

8 Operating profit

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Auditors' remuneration	1,044	1,240
Cost of inventories sold	313,439	204,014
Depreciation of property, plant and equipment (Note 13)	13,808	10,369
Depreciation of right-of-use assets	1,221	1,154
Employee benefit expenses (including directors' emoluments)	24,812	17,359
Foreign exchange (gain)/loss	(4,177)	1,988
Land taxes, surcharges and other taxes	3,445	2,854
Net reversal of impairment on financial assets	–	(177)

9 Finance income – net

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Finance income		
Interest income on short-term bank deposits	8,494	7,674
Finance costs		
Interest expenses on bank and other borrowings	(3,804)	(4,983)
Interest expenses paid to a substantial shareholder	(82)	(180)
Interest expenses on lease liabilities	(1)	(14)
Less: amount capitalised on qualifying assets (Note)	449	–
	(3,438)	(5,177)
Finance income – net	5,056	2,497

Note:

During the six months period ended 30 June 2021, the Group has capitalised borrowing costs amounting to RMB449,000 on qualifying assets. Borrowing costs were capitalised at the weighted averaged rate of its general borrowing of 3.34% per annum. During the six months ended 30 June 2020, the Group had no qualifying assets qualified for borrowing costs capitalisation.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

10 Income tax expense

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

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

PRC corporate income tax has been provided at the rate of 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC corporate income tax purpose. Shandong Tiantong Food Co., Ltd., one of the subsidiaries of the Group, has been approved as High and New Technology Enterprise and is entitled to a preferential corporate income tax rate of 15% for 3 years starting from 2020.

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 Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% (six months ended 30 June 2020: 10%). The Group is therefore liable for withholding taxes on any dividends distributable by its subsidiaries established in the PRC.

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 of these subsidiaries on or before 2018 will not be distributed 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 for the profit of its subsidiaries in the PRC since 2018.

At 30 June 2021, deferred tax liabilities related to the undistributed profit of the Group's subsidiaries in the PRC amounted to approximately RMB5,488,000 (31 December 2020: RMB4,590,000) has been recognised in the consolidated statement of financial position.

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current income tax		
PRC corporate income tax	16,336	14,763
Withholding tax relating to PRC subsidiaries		
Provision for the period	898	544

Notes to the Condensed Consolidated Interim Financial Information (Continued)

11 Dividends

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Final dividend declared during the period:		
2020 final dividend: nil (2019 final dividend: HK\$0.030 per ordinary share)	–	26,333

The Board has resolved not to declare any interim dividend for six months ended 30 June 2021 (2020: same).

12 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately RMB89,511,000 (for the six months ended 30 June 2020: RMB47,772,000) and the weighted average of approximately 988,189,000 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 2020: 984,043,000 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 approximately RMB 89,297,000 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 2020: RMB47,540,000) and the weighted average number of ordinary shares of approximately 989,084,000 after adjusting 1) the effect of deemed issuance of issuable shares from the beginning of the period; and 2) the number of shares that would have been issued assuming the exercise of the options less the number of shares that could have been acquired at fair value (according to the average market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options (for the six months ended 30 June 2020: 984,642,000 shares, after adjusting the effect of deemed issuable share from the beginning of the period).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13 Property, plant and equipment

	Buildings and leasehold improvements RMB'000	Furniture and fixtures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Six months ended 30 June 2021 (Unaudited)							
Opening amount as at 1 January 2021							
Net book value	265,840	193	50,239	2,200	2,900	63,075	384,447
Additions	12,394	-	3,442	-	14	33,717	49,567
Depreciation (Note 8)	(9,273)	(24)	(3,667)	(215)	(629)	-	(13,808)
Closing amount as at 30 June 2021	268,961	169	50,014	1,985	2,285	96,792	420,206
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 8)	(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

Construction in progress as at 30 June 2021 mainly comprises plants and production lines being constructing in the PRC (As at 31 December 2020: same).

As at 30 June 2021, the net book value of buildings of approximately RMB 68,234,000 (As at 31 December 2020: RMB69,209,000) was pledged to secure bank borrowings granted to the Group (Note 20).

During the six months ended 30 June 2021, the Group has capitalised borrowing costs amounting to RMB449,000 on qualifying assets. Borrowing costs were capitalised at the weighted averaged rate of its general borrowing of 3.34% per annum. During the six months ended 30 June 2020, the Group had no qualifying assets qualified for borrowing costs capitalisation.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

14 Trade and other receivables

	Note	As at	
		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade receivables		169,900	173,988
Less: loss allowance of trade receivables	(b)	(691)	(691)
Trade receivables, net	(a)	169,209	173,297
Prepayments	(c)	157,753	73,049
Other receivables	(c)	3,009	3,137
		329,971	249,483
Less: non-current portion			
Prepayment for property, plant and equipment		(39,217)	(31,419)
Prepayment for land		(96,000)	–
Current portion		194,754	218,064

(a) Trade receivables

The Group's credit terms granted to customers generally ranged from 30 to 60 days (as at 31 December 2020: 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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Less than 30 days	101,807	97,749
31 to 60 days	62,821	75,378
61 to 90 days	–	170
181 to 365 days	4,581	–
	169,209	173,297

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

14 Trade and other receivables (Continued)

(a) Trade receivables (Continued)

The trade receivables are denominated in the following currencies:

	As at	
	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
RMB	165,875	168,216
USD	3,334	5,081
	169,209	173,297

(b) Impairment of trade receivables

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

(c) Prepayments and other receivables

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

15 Investment properties

	As at	
	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Opening balance at 1 January	30,300	30,300
Transfer from property, plant and equipment	–	342
Fair value change	–	(342)
	30,300	30,300

Amounts recognised in profit or loss for investment properties

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Rental income (Note 7)	391	272
Fair value gain recognised (Note 7)	–	158

Notes to the Condensed Consolidated Interim Financial Information (Continued)

15 Investment properties (Continued)

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 2020: 5,917 m ²)	Land use rights for a term expired 18 April 2057

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

Valuation process and technique used to determine level 3 fair values

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

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

16 Share capital

Authorised ordinary shares

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

Issued and fully paid ordinary shares

	Number of ordinary share	Share capital HK\$'000	Equivalent share capital RMB'000
As at 1 January 2021	977,462,000	189,682	141,685
Issuance of ordinary shares (<i>note a</i>)	13,050,000	19,967	17,244
As at 30 June 2021 (Unaudited)	990,512,000	209,649	158,929
As at 1 January 2020	977,462,000	219,006	168,437
Dividend declared relating to 2019 (<i>note b</i>)	–	(29,324)	(26,333)
As at 30 June 2020 (Unaudited)	977,462,000	189,682	142,104

Notes to the Condensed Consolidated Interim Financial Information (Continued)

16 Share capital (Continued)

Authorised ordinary shares (Continued)

Issued and fully paid ordinary shares (Continued)

Notes:

(a) Issuance of ordinary shares

During the six months ended 30 June 2021, the Group allotted and issued 13,050,000 ordinary shares of the Company to Long Advance Investments Limited as consideration shares for the acquisition of Strong Won Investment Limited and its subsidiaries ("Strong Won Group") in 2018. The number of consideration shares was calculated based on the aggregated amount of production volume and revenue from the principal business of Strong Won Group over the three years from the completion date of the acquisition. The fair value of the consideration shares amounted to HK\$19,967,000 (equivalent to approximately RMB17,244,000) is credited to share capital when the financial liability was extinguished.

(b) Distribution of share capital as dividends

During the six months ended 30 June 2020, the Company has declared 2019 final dividend in the aggregate amount of HK\$29,324,000 (equivalent to approximately RMB26,333,000) which was distributed from share capital.

Share Option Scheme

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

For the six months ended 30 June 2021

Expiry date	Exercise price in HK\$ per share option	Number of share options (thousand)				
		As at 1 January 2021	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2021
31 December 2021	HK\$0.97	1,925	–	–	–	1,925

For the six months ended 30 June 2020

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

16 Share capital (Continued)

Share Option Scheme (Continued)

Notes:

- (a) 3,000,000 share options at an exercise price of HK\$1.70 each were granted on 6 October 2015. These share options were lapsed on 31 December 2020.
- (b) 7,700,000 share options at an exercise price of HK\$0.97 each were granted on 21 April 2016. These share options were fully vested and exercisable as at 30 June 2021.
- (c) For the six months ended 30 June 2021, no share options were lapsed (for the six months ended 30 June 2020: Nil).
- (d) For the six months ended 30 June 2021, no share option expense was recognised and included in employee benefit expenses (for the six months ended 30 June 2020: Nil).

Share Award Scheme

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

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

There was no Awarded Share granted, forfeited or vested for the six months ended 30 June 2021 and 2020.

The number of treasury stocks acquired and the amounts paid for the acquisitions as at 30 June 2021 and 31 December 2020 are presented below:

	Number of shares ‘000	Amount paid RMB‘000
At 1 January 2020, 31 December 2020 and 30 June 2021 (Unaudited)	2,216	2,080

The Group acquired 2,216,000 of its own shares through the trustee of the Share Award Scheme from open market from 3 January 2019 to 25 January 2019 at the average price of HK\$1.13. The total amount paid to acquire the shares was HK\$ 2,499,000 (equivalent to RMB2,080,000) and the balance was classified as “Shares held under share award scheme” in the reserve as at 30 June 2021 and 30 June 2020.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

17 Reserves

	Shares held under share award scheme RMB'000	Merger reserve RMB'000	Revaluation reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000 (Note)	Total RMB'000
Balance at 1 January 2021	(2,080)	(3,100)	303	375	879,449	874,947
Profit for the period	–	–	–	–	89,511	89,511
Balance at 30 June 2021 (Unaudited)	(2,080)	(3,100)	303	375	968,960	964,458
Balance at 1 January 2020	(2,080)	(3,100)	303	1,315	729,256	725,694
Profit for the period	–	–	–	–	47,772	47,772
Balance at 30 June 2020 (Unaudited)	(2,080)	(3,100)	303	1,315	777,028	773,466

Note:

Retained earnings as of period end include the statutory surplus reserve of the PRC subsidiaries amounting to RMB95,487,000 (as at 31 December 2020: RMB88,111,000).

According to the provisions of the articles of association of the Group's subsidiaries located in the PRC ("PRC subsidiaries"), the PRC subsidiaries shall first set aside 10% of the entity's profit attributable to owners after tax as indicated in their statutory financial statements for the statutory surplus reserve (except where the reserve has reached 50% of the entity's registered share capital) in each year. The PRC subsidiaries may also make appropriations from its profit attributable to shareholders to discretionary surplus reserve, provided it is approved by a resolution passed in a shareholders' general meeting. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends without the prior approval obtained from shareholders in a shareholders' general meeting under specific circumstances.

When the statutory surplus reserve is not sufficient to make good for any losses of the PRC subsidiaries from previous years, the current year profit attributable to owners shall be used to make good the losses before any allocations are set aside for the statutory surplus reserve. The statutory surplus reserve, the discretionary surplus reserve and the share premium of the PRC subsidiaries may be converted into share capital of the PRC subsidiaries provided it is approved by a resolution passed in a shareholders' general meeting and meets other regulatory requirements with the provision that the ending balance of the statutory surplus reserve does not fall below 25% of the registered share capital.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18 Trade and bills payables

	As at	
	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade and bills payables	18,614	19,776

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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Less than 30 days	14,889	19,245
31 to 90 days	1,696	253
91 to 180 days	1,821	23
181 to 365 days	114	99
Over 365 days	94	156
	18,614	19,776

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

19 Accruals and other payables

	As at	
	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Accrued employee benefit expenses	8,700	12,075
Land taxes, surcharges and other taxes payables	3,608	5,674
Other payables for purchases of property, plant and equipment	2,807	2,721
Others	13,283	8,100
	28,398	28,570

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

20 Bank and other borrowings

The Group's bank borrowings were repayable as follows:

	As at	
	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 1 year	187,860	180,388

Movements in bank and other borrowings are analysed as follows:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Opening amount at 1 January	180,388	203,445
Proceeds from bank borrowings	88,000	82,600
Repayments of bank borrowings	(78,120)	(104,609)
Foreign exchange translation	(2,408)	1,120
Closing amount at 30 June	187,860	182,556

Interest expense on bank and other borrowings for the six months ended 30 June 2021 is approximately RMB3,804,000 (for the six months ended 30 June 2020: RMB4,983,000). During the six months ended 30 June 2021, the Group has capitalised borrowing costs amounting to RMB449,000 on qualifying assets. Borrowing costs were capitalised at the weighted averaged rate of its general borrowing of 3.34% per annum. During the six months ended 30 June 2020, the Group had no qualifying assets qualified for borrowing costs capitalisation.

21 Contingencies

The Group did not have any material contingent liabilities as at 30 June 2021 and 31 December 2020.

22 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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Property, plant and equipment	56,661	56,861

Notes to the Condensed Consolidated Interim Financial Information (Continued)

22 Commitments (Continued)

(b) Operating lease commitments

As lessor

The Group leases its investment properties (Note 15) under operating lease arrangements with leases generally negotiated for terms 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 2021, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at	
	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Not later than 1 year	383	188

23 Related party transactions

(a) Related party

The directors are of the view that the following company was a related party that had transaction and balance with the Group:

Name of the related party	Principal business activities	Relationship with the Group
Wealthy Active Limited	Investment holding in BVI	Substantial Shareholder

(b) Balance with a related party

The Group had the following material non-trade balance with a related party:

	As at	
	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Amount due to a substantial shareholder – Wealthy Active Limited	79,526	81,630

As at 30 June 2021, amount due to a substantial shareholder was unsecured, with interest at Hong Kong Interbank Offered Rate and repayable on demand (as at 31 December 2020: same). The carrying amount of amount due to a substantial shareholder approximates its fair value and is denominated in HKD.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

23 Related party transactions (Continued)

(c) Transaction with a related party

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Interest paid or payable to a substantial shareholder – Wealthy Active Limited	82	180

(d) Key management compensation

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Basic salaries, allowances and benefits in kind	2,213	2,328
Social security costs	40	44
Defined contribution – MPF	30	32
	2,285	2,405

Other Information

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

During the six months ended 30 June 2021, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during Review Period.

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

As at 30 June 2021, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

Long Position in Ordinary Shares and Underlying Shares of the Company

Name of Directors	Capacity/Nature of interest	Number of shares held	Approximate percentage of total issued share capital
Mr. Yang Ziyuan	Interest of a controlled corporation	196,270,260 <i>(Note 1)</i>	19.82%
Ms. Chu Yinghong	Interest of spouse	196,270,260 <i>(Note 2)</i>	19.82%
Mr. Sun Xingyu	Interest of a controlled corporation	110,000,000 <i>(Note 3)</i>	11.11%

Notes:

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

Save as disclosed above, as at 30 June 2021, none of the Directors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information (Continued)

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

As at 30 June 2021, so far as is known to the Directors or chief executive of the Company, the following persons or corporations other than Directors or chief executive of the Company, who had an interest or short position of 5% of more in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long Position in the Shares of the Company

Name of Shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of total issued share capital
Rainbow Lead Ventures Limited (Note 1)	Beneficial owner	263,914,740	26.64%
Wealthy Active Limited (Note 2)	Beneficial owner	196,270,260	19.82%
Wealthy Maker Limited (Note 3)	Beneficial owner	110,000,000	11.11%
Sino Red Limited (Note 4)	Beneficial owner	73,467,000	7.42%

Notes:

1. Rainbow Lead Ventures Limited is a company incorporated in the BVI and is wholly-owned by Mr. Yeung Wan Yiu.
2. Wealthy Active Limited is a company incorporated in the BVI and is wholly-owned by Mr. Yang Ziyuan.
3. Wealthy Maker Limited is a company incorporated in the BVI and is wholly-owned by Mr. Sun Xingyu.
4. Sino Red Limited is a company incorporated in the BVI and is wholly-owned by Ocean Equity Partners Fund L.P.

Save as disclosed above, so far as is known to the Directors of the Company, no other person (other than the Directors and chief executive of the Company) had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which were or required to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or required to be recorded in the register required under section 336 of the SFO as at 30 June 2021.

Other Information (Continued)

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") with effect from 7 July 2015, the date on which the shares are listed on the Stock Exchange (the "Listing Date").

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

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

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

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

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

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

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

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

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

The Scheme remains effective for a period of ten years commencing from 16 June 2015. Details of the Scheme are set out in note 24 to the consolidated financial statements.

Other Information (Continued)

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

Grantee	Outstanding 01/01/2021	Exercised during the six months ended 30/06/2021	Lapsed during the six months ended 30/06/2021	Outstanding at 30/06/2021	Date of Grant	Exercised period	Exercise price (HK\$)	Price of the Company's share immediately before the grant date (HK\$)
Key management	352,500	-	-	352,500	21/04/2016	Notes 1 & 2	0.97	0.93
Other Employees	1,572,500	-	-	1,572,500	21/04/2016	Notes 1 & 2	0.97	0.93
Total	1,925,000	-	-	1,925,000				

Note:

- The validity periods to exercise the share options are as follows:
 - 50% of the share options shall be exercisable during the period from 1 January 2017 to 31 December 2019 (upon vesting of the same on 31 December 2016 on the condition that the relevant grantee is still the employee of the Group at the material time);
 - 25% of the share options shall be exercisable during the period from 1 January 2018 to 31 December 2020 (upon vesting of the same on 31 December 2017 on the condition that the relevant grantee is still the employee of the Group at the material time); and
 - 25% of the share options shall be exercisable during the period from 1 January 2019 to 31 December 2021 (upon vesting of the same on 31 December 2018 on the condition that the relevant grantee is still the employee of the Group at the material time).
- No new share option was granted and no share option was forfeited during the six months ended 30 June 2021.

Share Award Scheme

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

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (2020: Nil).

Significant Investments

Save and except for disclosed in this interim report, during the Review Period, there was no significant investment held by the Group.

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.

Other Information (Continued)

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 report.

Compliance with the Model Code

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

Audit Committee

The Company has established an Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee is to serve as a focal point for communication between other directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, 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 interim results of the Group for the six months ended 30 June 2021 have been reviewed by the Audit Committee and PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 2021.

Acknowledgement

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

On behalf of the Board

Yang Ziyuan

Chairman and Chief Executive Officer

Hong Kong, 26 August 2021