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

More Fresh and Healthy Choices

Interim Report 2016

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Yang Ziyuan *(Chairman and Chief Executive Officer)*
Mr. Sun Xingyu

Non-executive Directors

Ms. Chu Yinghong
Mr. Wong Yim Pan

Independent Non-executive Directors

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Strategic Development Committee

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

Company Secretary

Mr. Ho Ho Tung Armen

Authorised Representatives

Mr. Sun Xingyu
Mr. Ho Ho Tung Armen

Headquarters and Principal Place of Business in China

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

Registered Office in the BVI

Commerce House
Wickhams Cay 1
PO 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 in Hong Kong

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

Compliance Adviser

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

Legal Adviser as to Hong Kong Law

F. Zimmern & Co.
Rooms 1002-1003, 10th Floor
York House
The Landmark
15 Queen's Road Central
Hong Kong

Corporate Information

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
1 Garden Road
Central, Hong Kong

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

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

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

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

Auditor

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

Company's Website

http://www.tianyuninternational.com

Enquiries

info@tianyuninternational.com

Stock Code

6836

Management Discussion and Analysis

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

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

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

Business Review

During the Review Period, the global economy witnessed increased downside risks. The uncertainties arising from the Brexit referendum in June 2016 and the upcoming presidential election of the United States imposed further uncertainties to the economic recovery. During the Review Period, the PRC economy continued to slow down, plagued with domestic and overseas challenges. Facing these uncertainties, the Group continued its strategy to develop the OEM and own brand business in parallel, while proactively broadening online sales channels and expanding our business into overseas markets. With our unremitting efforts, the Group achieved satisfactory results despite the challenging operating environment during the Review Period, with revenue and net profit increased by 21.3% and 76.3% to RMB307.6 million and RMB61.7 million respectively and revenue from our own brand business increased by 80.9% to RMB90.1 million.

OEM Sales Strategy

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

Management Discussion and Analysis

Own Brand Product Sales Strategy

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

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

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

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

Trading of Fresh Fruit

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

Expansion of Production Facilities

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

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

Management Discussion and Analysis

R&D and Promotion

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

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

Future Prospect

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

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

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

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

Management Discussion and Analysis

Financial Review

Revenue

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

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

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

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

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

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

Management Discussion and Analysis

Gross profit and gross profit margin

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

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

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

Other income

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

Selling and distribution expenses

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

Management Discussion and Analysis

General and administrative expenses

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

Income tax expenses

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

Net profit and net profit margin

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

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

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

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

Management Discussion and Analysis

Liquidity, financial resources and capital resources

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

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

	As at 30 June 2016	As at 31 December 2015
Gearing ratio (%)	**20.0%**	13.9%
Current ratio	**2.79**	3.64
Cash and cash equivalent (RMB million)	**209.7**	227.0
Net current assets (RMB million)	**230.9**	257.0
Quick ratio	**2.44**	3.07

The gearing ratio of the Group as at 30 June 2016 was 20.0% (31 December 2015: 13.9%). Gearing ratio was calculated based on total debts divided by total equity. The amount of total debts was calculated by aggregating the bank borrowings and finance leases.

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

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

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

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

The Group manages its capital structure to maintain a balance between the equity and debts which makes adjustment to the capital structure in light of the changes in economic conditions affecting the Group.

The Group has not experienced any material difficulties or adverse effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the six months ended 30 June 2016.

Capital structure

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

Management Discussion and Analysis

Bank borrowings, finance leases and finance cost, net

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

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

Pledged assets

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

Capital expenditure

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

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

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

Interest rate risk

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

Foreign currency exposure

The Group mainly operates in the PRC and most of the transactions are conducted in Renminbi. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and Hong Kong dollar bank deposits. Foreign exchange risk also arises from sales transactions in foreign currencies with overseas customers which have been mostly conducted in United States dollars. The monetary assets of the Group were denominated in Hong Kong dollars, Renminbi and United States dollars. The Group has not implemented any hedging measures to mitigate the aforesaid foreign exchange risk.

Management Discussion and Analysis

Human resources

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

The total staff costs, including Directors' emoluments, amounted to approximately RMB8.5 million for the Review Period (the six months ended 30 June 2015: approximately RMB9.6 million). The decrease in total staff costs was mainly attributable to the partial reversal of provision for social insurance and housing provident fund contributions made in 2015 and before. During the Review Period, we have fully complied with the social insurance and housing provident fund requirements in the PRC.

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

Commitments and contingent liabilities

As at 30 June 2016, the Group did not have other material capital commitments, save as disclosed in page 31 and 32 of the notes to the condensed consolidated interim financial information. In addition, the Group did not have any material outstanding contingent liabilities. The capital commitments contracted for but not yet incurred and provided for as of 30 June 2016 amounted to approximately RMB12.8 million and mainly comprised the committed expenditure of building and leasehold component for the integrated development centre.

Material acquisitions and disposals

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

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

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

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 British Virgin Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on page 14 to 32, 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 2016 and the related interim condensed consolidated statements of comprehensive income, changes in equity and 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 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 August 2016

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 2016

		Unaudited Six months ended 30 June	
	Note	**2016 RMB'000**	2015 RMB'000
Revenue	*7*	**307,570**	253,731
Cost of sales	*8*	**(213,333)**	(177,474)
Gross profit		**94,237**	76,257
Other income	*7*	**365**	58
Selling and distribution expenses	*8*	**(5,147)**	(5,018)
General and administrative expenses	*8*	**(7,347)**	(21,908)
Operating profit		**82,108**	49,389
Finance income		**304**	79
Finance costs		**(1,933)**	(702)
Finance costs – net	*9*	**(1,629)**	(623)
Profit before income tax		**80,479**	48,766
Income tax expense	*10*	**(18,818)**	(13,717)
Profit for the period and total comprehensive income attributable to owners of the Company		**61,661**	35,049
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents)			
– Basic and diluted	*12*	**6.17**	4.67

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 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**190,620**	126,925
Leasehold land and land use rights	*13*	**59,149**	59,874
Prepayments	*14*	**74,144**	45,515
Total non-current assets		**323,913**	232,314
Current assets			
Inventories		**45,851**	56,220
Trade and other receivables	*14*	**101,468**	71,036
Tax recoverable		**2,723**	–
Cash and cash equivalents		**209,683**	226,995
Total current assets		**359,725**	354,251
Total assets		**683,638**	586,565
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*15*	**248,057**	248,057
Reserves		**277,987**	241,225
Total equity		**526,044**	489,282
LIABILITIES			
Non-current liabilities			
Deferred revenue	*16*	**7,098**	–
Obligations under finance leases	*20*	**21,630**	–
Total non-current liabilities		**28,728**	–
Current liabilities			
Trade payables	*17*	**22,367**	9,175
Accruals and other payables	*18*	**18,663**	15,540
Amount due to the immediate holding company		**–**	5
Bank borrowings	*19*	**68,000**	68,000
Obligations under finance leases	*20*	**15,370**	–
Deferred revenue	*16*	**3,703**	–
Current income tax liabilities		**763**	4,563
Total current liabilities		**128,866**	97,283
Total liabilities		**157,594**	97,283
Total equity and liabilities		**683,638**	586,565

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 2015 and 30 June 2016

	Unaudited Attributable to owners of the Company						
	Share capital RMB'000	**Capital reserve RMB'000**	**Merger reserve RMB'000** (Note (b))	**Statutory reserve RMB'000** (Note (c))	**Share option reserve RMB'000**	**Retained earnings RMB'000**	**Total equity RMB'000**
Balance at 1 January 2016	**248,057**	**84,663**	**(3,100)**	**2,500**	**823**	**156,339**	**489,282**
Comprehensive income							
Profit for the period	–	–	–	–	–	**61,661**	**61,661**
Total transactions with owners, recognised directly in equity							
Transfers	–	–	–	**20,000**	–	**(20,000)**	–
Dividends relating to 2015 paid in 2016	–	–	–	–	–	**(25,437)**	**(25,437)**
Employees share option scheme:							
– share-based compensation expenses	–	–	–	–	**538**	–	**538**
Total transactions with owners, recognised directly in equity	–	–	–	**20,000**	**538**	**(45,437)**	**(24,899)**
Balance at 30 June 2016	**248,057**	**84,663**	**(3,100)**	**22,500**	**1,361**	**172,563**	**526,044**

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 2015 and 30 June 2016

	Unaudited Attributable to owners of the Company						
	Share capital RMB'000	Capital reserve RMB'000 (Note (a))	Merger reserve RMB'000 (Note (b))	Statutory reserve RMB'000 (Note (c))	Share option reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2015	1	59,507	(3,100)	2,500	–	59,422	118,330
Comprehensive income							
Profit for the period	–	–	–	–	–	35,049	35,049
Total transaction with owners, recognised directly in equity							
Waiver of amount due to immediate holding company	–	31,145	–	–	–	–	31,145
Total transactions with owners, recognised directly in equity	–	31,145	–	–	–	–	31,145
Balance at 30 June 2015	1	90,652	(3,100)	2,500	–	94,471	184,524

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 2015 and 30 June 2016

Notes:

(a) During the period ended 30 June 2015, the immediate holding company transferred cash of approximately RMB31,145,000 to the Group. The amount due by the Group had been waived by the immediate holding company subsequently.

(b) The merger difference of the Group was created as a result of: (a) acquisition of two common control entities acquired in 2012; and (b) the difference between the consideration paid to the then owners for the acquisitions and the original investment of the then owners.

(c) 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 of 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.

Statutory reserve during the period ended 30 June 2016 represents the statutory surplus reserve of the PRC subsidiaries amounting to RMB22,500,000, which had reached 50% of the entity's registered share capital.

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 2016

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	**80,676**	38,681
Interest paid	**(1,933)**	(1,707)
Income tax paid	**(25,341)**	(16,793)
Net cash generated from operating activities	**53,402**	20,181
Cash flows from investing activities		
Purchases of leasehold land and land use rights and property, plant and equipment	**(52,905)**	(84,118)
Prepayment paid for purchase of property, plant and equipment	**(32,144)**	–
Interest received	**304**	79
Net cash used in investing activities	**(84,745)**	(84,039)
Cash flows from financing activities		
Repayment to a director	**–**	(7,311)
Repayment to a related company	**–**	(90)
Repayment to the immediate holding company	**(5)**	(20)
Contributions from the immediate holding company	**–**	31,145
Proceeds from bank borrowings	**68,000**	88,000
Repayments of bank borrowings	**(68,000)**	(53,000)
Cash received from sale and leaseback finance lease	**40,000**	–
Repayment under finance lease obligation	**(3,000)**	–
Dividends paid	**(25,437)**	–
Net cash generated from financing activities	**11,558**	58,724
Net decrease in cash and cash equivalents	**(19,785)**	(5,134)
Cash and cash equivalents at beginning of the period	**226,995**	31,595
Exchange gains on cash and cash equivalents	**2,473**	–
Cash and cash equivalents at end of the period	**209,683**	26,461

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

Tianyun International Holdings Limited (the "Company") was incorporated in the British Virgin Islands on 8 September 2011 with limited liability. The address of its registered office is Commerce House, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, British Virgin Islands, VG1110.

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the manufacturing and trading of processed fruits products and fresh fruits.

The Company has its primarily listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

These condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. Accounting policies

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

(a) Finance lease

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

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

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

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

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

3. Accounting policies (Continued)

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

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

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

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

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

HKFRS 9,"Financial Instruments"	1st January 2018
Amendments to HKFRS 10 and HKAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Note
HKFRS 15, "Revenue from Contracts with Customers"	1st January 2018
HKFRS 16, "Leases"	1st January 2019

Note: To be announced by HKICPA

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

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 2015.

5. Financial risk management

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015. There have been no significant changes in the risk management policies since the year end.

5.2 Liquidity risk

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

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

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to the Group finance. Group finance invests surplus cash mainly in time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the balance sheet date, the Group holds cash and bank balances of RMB132,763,000 (31 December 2015: RMB127,492,000), short-term bank deposits of RMB76,920,000 (31 December 2015: RMB99,041,000) and trade receivables of RMB88,604,000 (31 December 2015: RMB69,565,000) that are expected to generate cash inflows for managing liquidity risk.

5.3 Fair value estimation

The fair values of the trade and other receivables, cash and cash equivalents, trade payables and other payables and accruals as at 30 June 2016 approximate their carrying amounts due to their short maturities.

The fair values of the bank borrowings and obligations under finance lease as at 30 June 2016 approximate their carrying amounts as they bear interest rates that are market dependent.

6. Segment information

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

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

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

Segment assets and liabilities

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

Information about major customers

External customers contribute over 5% of total revenue of the Group for any of the six months ended 30 June 2016 and 2015 are as follows:

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

7. Revenue and other income

The Group is principally engaged in the manufacturing and trading of fresh fruits and processed fruits products. Turnover consists of revenue from sales of fresh fruits and processed fruits products. Revenue recognised during the periods ended 30 June 2016 and 2015 are as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Revenue		
Domestic sales	**281,292**	216,616
Direct overseas sales	**26,278**	37,115
Total sale of goods	**307,570**	253,731
Other income		
Government subsidies	**56**	21
Others	**309**	37
	365	58

8. Operating profit

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Auditors' remuneration	**738**	704
Cost of inventories sold	**203,723**	165,856
Depreciation of property, plant and equipment (Note 13)	**3,836**	2,148
Amortisation on land use right (Note 13)	**725**	–
Employee benefit expenses (including directors' emoluments)	**8,453**	9,564
Listing expenses	**–**	15,988
Operating lease payments	**220**	608
Net exchange gains	**(5,302)**	(127)
Other taxes	**3,096**	2,846

9. Finance costs, net

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Finance income		
Interest income on short-term bank deposits	**304**	79
Finance costs		
Interest expenses on bank borrowings	**(1,933)**	(1,707)
Less: amounts capitalised on qualifying assets	**–**	1,005
	(1,933)	(702)
Finance costs, net	**(1,629)**	(623)

For the period ended 30 June 2015, the Group has capitalised borrowing costs amounting to RMB1,005,000 on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 6.8%.

10. Income tax expense

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

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

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

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

11. Dividends

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

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

12. Earnings per share

(a) Basic

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

	Six months ended 30 June	
	2016	2015
Profit attributable to owners of the Company (RMB$'000)	**61,661**	35,049
Weighted average number of ordinary shares in issue (thousand)	**1,000,000**	750,000
Basic earnings per share (RMB cents)	**6.17**	4.67

(b) Diluted

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

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

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

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

	Leasehold land and land use rights RMB'000	Building and leasehold improvements RMB'000	Furniture and fixtures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Six months ended 30 June 2016								
Net book value	**59,874**	**53,377**	**64**	**17,863**	**2,360**	**1,926**	**51,335**	**186,799**
Opening amount as at 1 January 2016								
Additions	**–**	**1,645**	**223**	**50,550**	**1,024**	**510**	**42,469**	**96,421**
Transfer	**–**	**39,973**	**–**	**15,230**	**–**	**–**	**(55,203)**	**–**
Disposals	**–**	**–**	**(86)**	**(28,687)**	**–**	**(117)**	**–**	**(28,890)**
Depreciation and amortisation (Note 8)	**(725)**	**(1,717)**	**(10)**	**(1,674)**	**(189)**	**(246)**	**–**	**(4,561)**
Closing amount as at 30 June 2016	**59,149**	**93,278**	**191**	**53,282**	**3,195**	**2,073**	**38,601**	**249,769**
Six months ended 30 June 2015								
Net book value	–	32,158	14	12,454	1,483	608	25,797	72,514
Opening amount as at 1 January 2015								
Additions	60,598	19,681	–	397	33	83	3,714	84,506
Transfer	–	–	–	782	–	–	(782)	–
Depreciation and amortisation (Note 8)	–	(971)	(3)	(956)	(129)	(89)	–	(2,148)
Closing amount as at 30 June 2015	60,598	50,868	11	12,677	1,387	602	28,729	154,872

Construction in progress as at 30 June 2016 mainly comprises the integrated development center being constructed in the PRC.

As at 30 June 2016 and 31 December 2015, the net book value of land and buildings was pledged to secure bank borrowings granted to the Group (Note 19).

At 6 June 2016, the Group had entered into sales and leaseback arrangements with a third party lessor amounted to RMB40,000,000 (31 December 2015: Nil). These sales and leaseback arrangements included sell of certain fixed assets with net book values of RMB28,889,000 at an aggregate consideration of RMB40,000,000 and were leased back to the Group for a period of 36 months. The Group has the option to purchase the leased assets at the end of lease term (Note 20).

The differences between sales proceeds and net book value of fixed assets at the date of sales and leaseback agreements are deferred and amortised over the lease terms (Note 16).

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

14. Trade and other receivables

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

(a) Trade receivables

The Group's credit terms granted to wholesale customers generally ranged from 30 to 60 days. As at 30 June 2016 and 31 December 2015, the ageing analysis of the trade receivables based on invoice date is as follows:

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

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

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

15. Share capital

Authorised ordinary share

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

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Issued and fully paid:		
1,000,000,000 (2015: 1,000,000,000) ordinary shares	**248,057**	248,057

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

		Number of share options (thousands)				
Expiry date	Exercise price in HK$ per share option	As at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2016
31 December 2020	HK$1.70	6,000,000	–	–	–	6,000,000
31 December 2021	HK$0.97	–	7,700,000	–	–	7,700,000

Note:

(a) 6,000,000 share options at an exercise price of HK$1.70 each and 7,700,000 share options at an exercise price of HK$0.97 were granted on 6 October 2015 and 21 April 2016 respectively.

(b) For the six months ended 30 June 2016, no share options were lapsed (six months ended 30 June 2015: Nil).

(c) For the six months ended 30 June 2016, a total share option expenses of RMB538,000 were recognised and included in employee benefit expenses (six months ended 30 June 2015: Nil).

16. Deferred revenue

The amount represents the excess of sales proceeds over the carrying amounts of certain fixed assets under the sale and leaseback arrangement. The deferred revenue shall be amortised over the lease term of 3 years.

17. Trade payables

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

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

The carrying amounts of trade payables approximate their fair values.

18. Accruals and other payables

	As at	
	30 June 2016 RMB'000	31 December 2015 RMB'000
Accrued employee benefit expenses	**5,951**	9,597
Other taxes payables	**3,090**	722
Other payables for purchases of plant and equipment	**5,565**	1,302
Others	**4,057**	3,919
	18,663	15,540

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

19. Bank borrowings

	As at	
	30 June 2016 RMB'000	31 December 2015 RMB'000
Bank borrowings repayable within 1 year	**68,000**	68,000

Movements in bank and other borrowings are analysed as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening amount at 1 January	**68,000**	33,000
New bank borrowing obtained	**68,000**	88,000
Repayments of borrowings	**(68,000)**	(53,000)
Closing amount at 30 June	**68,000**	68,000

Interest expense on bank borrowings for the six months ended 30 June 2016 is approximately RMB1,933,000 (for the six months ended 30 June 2015: RMB1,707,000). As at 30 June 2016 and 31 December 2015, the Group did not have any undrawn banking facilities.

20. Obligations under finance leases

As at 30 June 2016, the Group had certain fixed assets held under finance leases (Note 13). Under the terms of the leases, the Group has the option to purchase at the end of the lease terms of 3 years. The obligations under finance leases are denominated in RMB.

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

21. Contingencies

The Group did not have any material contingent liabilities as at 30 June 2016 and 31 December 2015.

22. Commitments

(i) Operating lease commitments – Group as lessee

As at 31 December 2015, the Group leases manufacturing factories, offices and warehouses under an operating lease agreement with lease term of 24 years. During the six months ended 30 June 2016, the leases were cancelled upon the acquisition of land and building from a related company.

The future aggregate minimum lease payments under the operating lease agreement as at the end of reporting date are as follows:

	As at	
	30 June 2016 RMB'000	31 December 2015 RMB'000
Not later than 1 year	**382,389**	352,524
Later than 1 year and no later than 5 years	**122,574**	287,895
	504,963	640,419

22. Commitments (Continued)

(ii) Capital commitments

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

	As at	
	30 June 2016 RMB'000	31 December 2015 RMB'000
Property, plant and equipment	**12,823**	15,985

23. Related party transactions

(a) Significant transactions with a related party

During the six months ended 30 June 2016 and 2015, the Group had the following significant transactions with its related company.

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Operating lease payments in respect of properties and land of a related company (before acquisition of land and building)	**–**	608

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

(b) 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	
	2016 RMB'000	2015 RMB'000
Basic salaries, allowances and benefits in kind	**990**	503
Social security costs	**56**	29
Defined contribution – MPF	**15**	–
Share-based compensation expenses	**94**	–
	1,155	532

Other Information

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

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

Subsequent to the Review Period and up to the date of this report, the Company has repurchased 750,000 Shares.

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

As at 30 June 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Long Positions in the Shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Yang Ziyuan	Interest in a controlled corporation	446,083,000 Shares (L) *(note 1)*	44.61%
Mr. Chu Yinghong	Interest of spouse	446,083,000 Shares (L) *(note 2)*	44.61%
Mr. Sun Xingyu	Interest in a controlled corporation	110,000,000 Shares (L) *(note 3)*	11.0%
Mr. Tsang Yuen Wai	Beneficial owner	192,000 Shares (L)	0.02%

Notes:

1 The shares are held by Wealthy Active Limited, a company incorporated in the BVI and is wholly-owned by Mr. Yang. Mr. Yang is deemed to be interested in these shares under the SFO.

2 Ms. Chu Yinghong is the spouse of Mr. Yang and is deemed to be interested in the shares held by Mr. Yang.

3 The shares are held by Wealthy Maker Limited, a company incorporated in the BVI and is wholly-owned by Mr. Sun. Mr. Sun is deemed to be interested in these shares under the SFO.

The letter "L" denotes long position

Save as disclosed above, as at 30 June 2016, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

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

As at 30 June 2016, the persons or corporations other than Directors or chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long Position in the Shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding
Wealthy Active Limited *(note 1)*	Beneficial owner	446,083,000 Shares (L)	44.61%
Wealthy Maker Limited *(note 2)*	Beneficial owner	110,000,000 Shares (L)	11.0%
Sino Red Limited *(note 3)*	Beneficial owner	76,111,000 Shares (L)	7.61%

Notes:

1. Wealthy Active Limited is a company incorporated in the BVI and is wholly-owned by Mr. Yang.

2. Wealthy Maker Limited is a company incorporated in the BVI and is wholly-owned by Mr. Sun.

3. Sino Red Limited is a company incorporated in the BVI and is wholly-owned by Ocean Equity Partners Fund L.P..

The letter "L" denotes long position

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

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") with effect from the Listing Date, i.e. 7 July 2015 and will remain effective for a period of 10 years. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The main purpose of the Share Option Scheme is to motivate employees to optimize their performance efficiency for the benefit of the Company.

Other Information

The details of the options granted (the "Granted Options") pursuant to the Share Option Scheme but not yet exercised as at 30 June 2016 were as follows:

Grantee		Outstanding 01/01/2016	Exercised during the period ended 30/06/2016	Forfeited during the period ended 30/06/2016	Outstanding at 30/06/2016	Date of Grant	Exercised period	Exercise price (HK$)	Price of the Company's share immediately before the grant date
		Number of share options							
Employees	Key management	1,020,000	–	–	1,020,000	06/10/2015	*Note 1*	1.70	1.70
	Other Employees	4,980,000	–	–	4,980,000	06/10/2015	*Note 1*	1.70	1.70
		6,000,000	–	–	6,000,000				
Employees	Key management	1,410,000	–	–	1,410,000	21/04/2016	*Note 2*	0.97	0.93
	Other Employees	6,290,000	–	–	6,290,000	21/04/2016	*Note 2*	0.97	0.93
		7,700,000	–	–	7,700,000				
	Total:	13,700,000	–	–	13,700,000				

Note:

1 The validity periods to exercise the share options are as follows:

(a) 50% of the share options shall be exercisable during the period from 1 January 2016 to 31 December 2018 (upon vesting of the same on 31 December 2015 on the condition that the relevant grantee is still the employee of the Group at the material time);

(b) 25% 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); and

(c) 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).

2 The validity periods to exercise the share options are as follows:

(a) 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);

(b) 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

(c) 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).

Interim Dividend

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

Other Information

Compliance with the Corporate Governance Code

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

Under code provision A.2.1 of the CG Code as set out in Appendix 14 of the Listing Rules, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yang Ziyuan is our chief executive officer, and he also performs as the chairman of our Board as he has considerable experience in the fruit processing industry. The Board believes that vesting the roles of both the chairman of our Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. Save for the aforesaid, the Board is of the view that the Company has complied with the code provisions as set out in the CG Code 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 half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein. The Audit Committee comprises three independent non-executive directors, namely Mr. Tsang Yuen Wai (Chairman), Mr. Liang Zhongkang and Ms. Hui Yung Yung Janet.

Review of interim results

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

Acknowledgement

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

On behalf of the Board
Yang Ziyuan
Chairman and Chief Executive Officer
Hong Kong, 24 August 2016