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 2019

Contents

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

Ms. Chu Yinghong
Mr. Wong Yim Pan
Mr. Liu Zhumeng

Independent Non-executive Directors

Mr. Liang Zhongkang
Mr. Tsang Yuen Wai
Ms. Hui Yung Yung Janet (resigned on 27th June 2019)
Prof. Lu Yuanping (appointed on 27th June 2019)

Audit Committee

Mr. Tsang Yuen Wai *(Chairman)*
Mr. Liang Zhongkang
Ms. Hui Yung Yung Janet (resigned on 27th June 2019)
Prof. Lu Yuanping (appointed on 27th June 2019)

Nomination Committee

Mr. Yang Ziyuan *(Chairman)*
Mr. Liang Zhongkang
Mr. Tsang Yuen Wai
Mr. Wang Hu
Ms. Hui Yung Yung Janet (resigned on 27th June 2019)
Prof. Lu Yuanping (appointed on 27th June 2019)

Remuneration Committee

Mr. Liang Zhongkang *(Chairman)*
Mr. Yang Ziyuan
Mr. Tsang Yuen Wai
Ms. Hui Yung Yung Janet (resigned on 27th June 2019)
Prof. Lu Yuanping (appointed on 27th June 2019)

Strategic Development Committee

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

Company Secretary

Mr. Ho Ho Tung Armen

Authorised Representatives

Mr. Sun Xingyu
Mr. Ho Ho Tung Armen

Headquarters and Principal Place of Business in China

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

Principal 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
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Central
Hong Kong

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
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Legal Adviser as to Hong Kong Law

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Legal Adviser as to PRC Law

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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 Dangyang Rural Commercial Bank Limited
Wuhan Rural Commercial Bank Co., Limited

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 packaged in metal containers, plastic cups and glass containers and (ii) trading of fresh fruit. Processed fruit is sold both under our own brands and on OEM basis.

The Group has been consistently committed to provide healthy and safe products to its customers. As one of the food enterprises with the most comprehensive list of overseas and local quality certifications, we have always been dedicated to following stringent international production standards and are accredited with BRC (A+), IFS Food (High), FDA, HALAL, SC, KOSHER, BSCI and ISO22000 etc in respect of our production facilities, quality control and management. The Group has also passed the internal food production standard reviews and audits from some of the UK and US supermarket chains. At the same time, within China, as a "Equal production line; Equal standard; Equal quality" food production and export enterprise, the Group has been supplying products of equivalent quality to domestic and international markets. Since 2016, the Group's own brand processed fruit products have continued to obtain a high degree of market recognition, and have been awarded by a national institution the honour and qualification of "China Canned Product Quality Certification Label", becoming the first fruit processor in China's fruit processing industry to put the "Zero Added Preservative Canned Products" label for its products sold in China.

Business Review

In the first half of 2019, the global economic growth slowed down and uncertainties still existed due to the China-US trade friction. Against the complicated domestic and international environment, especially when the Chinese economy is in a tough period of transition, China still faced the pressure of a slowing-down economic growth. According to economic data published by the National Bureau of Statistics of PRC, the Gross Domestic Product (GDP) in Mainland China recorded an annualised increase of 6.3% for the first half of the year, with total retail sales of consumer goods increased by 8.4%, which was higher than expectations. Meanwhile, driven by the acceleration of urbanization of our country, consumers' demands for convenient foods in Mainland China in recent years expanded, thus bringing about opportunities to consumer goods and food industries. As shown in the 2018 data from the National Bureau of Statistics of PRC in 2018, the total retail sales of consumer goods in Mainland China for the year of 2018 amounted to approximately RMB3,800 billion, representing a year-on-year increase of 9%. Given the potential of consumer goods market in Mainland China and the tax-cutting and fee-reducing measures adopted by the Chinese government on a large scale, domestic consumption is expected to grow further in the second half of 2019. Meanwhile, sales channels of consumer goods keep developing in a fragmentized manner with both online sales and convenience stores experiencing rapid growth, which brings new opportunities and challenges to the development of our industry.

During the six months ended 30 June 2019 (the "Review Period"), the Group was awarded triple honors by the China Canned Food Industry Association, namely "China Canned Food Brand of 40th Anniversary of China's Reform and Opening up", "2019 China Canned Food Leading Brand" and "2019 China Canned Food Leading Enterprise". The Group was included in the Most Valuable Chinese Brands List for three consecutive years. The brands strength of the Group was valued as 782 and brand value of the Group exceeded RMB1 billion for the first time. Our numerous awards not only proved an extra-ordinary brand value and influence of the Group, but also evidenced the market's strong recognition and affirmation of the Company's brand value, and at the same time reflected a robust growth in both market share and consumer recognition of the Group's own brand products.

Own Brand Product Sales Strategy

In the first half of 2019, income from products under the "天同時代 (Tiantong Times)", "繽果時代 (Bingo Times)", and "果小懶" brands of our Group has risen steadily. During the Review Period, the Group continued to actively participate in various international and domestic food and drinks fairs and exhibitions, and continued to develop regional distributorship network and supermarket chains channels through sample sales in some provinces and cities. The sales network of our own brand has developed in an orderly manner. The geographical coverage of our products has extended to markets of 24 provinces, direct-controlled municipalities and autonomous regions as well as Hong Kong and Macau. The number of exclusive regional distributors has expanded to 277, covering famous regional supermarket chains such as Auchan, RT-Mart, CR Vanguard, AEON, Beijing Jingkelong and Jinan Hualian. The Group always pays attention to interacting and communicating with various consumers. It promotes sales through promotional activities such as roadshows, complimentary gifts promotion, sample tasting, lucky draws, and redemptions. At the same time, the said promotion activities create a vivid brand image of our Group and our products and enhances our market competitiveness so as to attract more customers.

Management Discussion and Analysis

The Group's own brand products have increased their well-established reputation through successfully enhancing sales performance of the Group on e-commerce platforms such as TMall, WeChat Business and Pinduoduo. During the Review Period, the Group enhanced the online image of our own brand through online sales and branding strategies such as remodelling and upgrading the package, labelling and carton design, updating the webpage of the online stores, organising various reward programmes, and increasing product categories and fruit flavours and varieties. In addition, in response to consumers' preferences for livestreaming platforms, the Group promoted products in popular online livestreaming platforms, which helped to increase hit rate of our stores in e-commerce platforms, and thus, to a certain extent, increasing the sales.

OEM Sales Strategy

During the Review Period, the Group's OEM business continued to develop steadily and we worked closely with renowned international food brands. The demand for processed fruit products "Made in China" remained massive in global market. Although the final export destinations of the Group's OEM processed fruit products are comparatively dispersed, we will continue to explore more high quality new customers in Canada, Europe, Australia, New Zealand, Japan and South Korea.

Trading of Fresh Fruit and Others

The Group often selects and resells a small portion of the fresh fruit to fresh fruit wholesalers in the PRC. According to the "2019 Online Fresh Consumption Development Trend Report" recently released by a well-known data analytics consulting firm together with Alibaba Group Holding Limited, it is expected that the volume of fresh fruit market would achieve RMB1,000 billion by 2025. This report also stated that it has become a daily routine for consumers to buy fruits and fresh product online, and it is a trend for the robust increase in the number of relevant online active users, which demonstrates a great potential for online fresh market. The Group always pays close attention to the development of fresh fruit market in China, and proactively explores oversea and domestic sales channels for fresh fruit and well-known Chinese fresh fruit brands as our partners, so as to enrich the supply of our fresh fruit from different overseas and domestic regions and to provide consumers with more choices of fruits and processed fruits with high quality.

Expansion of Production Facilities

During the Review Period, the Group continued to enhance and upgrade its production facilities, so as to raise its degree of automation and capacity. Currently, the preparations for production to be conducted in workshops No. 5 and No. 6 have been actively in process and we plan to complete the land auction procedure and commence its construction by the fourth quarter of 2019. Further, during the Review Period, Yichang Tiantong continued to transform its facilities and upgrade its capacity effectively so as to increase the Group's production capacity for new products and existing processed fruit products, to facilitate the storage and transportation arrangements for the Company's own brand products in central China, and to develop products from those fruits grown in the subtropical region. During the Review Period, production of Hubei branch commenced smoothly, while the construction of workshops No. 2 is under intense preparation.

Research and Development and Promotion

Offering delicious products while ensuring health and safety to safeguard consumer interests involves continuous research and development and innovation. As the first fruit processor in our industry which is allowed to affix the authorised "Preservative Free" label on its own brand products sold in China, the Group remains committed to our mission for food safety in which we actively invest in research and development of new products to satisfy the desires of the consumer at large for new tastes and their demands for diverse fruit products. During the Review Period, the Group has been accredited as the 8th batch of the municipal "One Technique for One Enterprise" R&D centre (第八批市級「一企一技術」研發中心) by the municipal government of Linyi, Shandong Province, recognizing the Group's achievements in improving capability of independent innovation, strengthening the cultivation of self-owned brands and proactively developing featured products and services. Since 2018, the Group has firmly implemented our production and operation goal of deseasonalization. Our newly developed trans fat free pure fruit snack with patent for an invention, which can be stored at room temperature, boasts fashionable packaging and is expected to satisfy the consumption habits of the modern consumers. Response has been positive upon its trial during the second half of last year. In future, the Group will conduct market segmentation and work with established food research institute, so as to comprehensively upgrade and launch products with a larger variety of flavours and specifications, and to boost promotional efforts to raise order volume.

Furthermore, during the Review Period, the Group continuously diversified product variety and fruit flavours, such as loquat flavour. Based on the characteristics of on- and offline markets, we launched products with different packages and specifics, so as to satisfy different customers' demand. Meanwhile, other than the pure fruit snack previously launched, the Group also proactively extended its snack and beverage product lines to diversify its product portfolio. For instance, the Group has obtained a production permission for a type of functional beverage in China and has successfully completed R&D on such functional beverage formula for sports beverage product lines. The Group would launch such sports beverage product lines under its own brand based on market circumstances.

Outlook

According to the statistics from Zhongshang Industry Research Institute* (中商產業研究院), the sales volume of snack food in China for 2018 was 17.49 million tonnes and it is expected to reach 18.26 million tonnes by 2019. This means the market size of snack food in China further increased from over RMB500 billion last year to RMB543.9 billion this year. The Group expects that, due to the upgrading of consumption structure and the expansion of new generation consumer base, snack food market would grow in a fast pace. As a successfully transformed leading consumer goods enterprise, the Group will seize the favourable market environment and our established brand to secure its position as one of the leading enterprises of fruit products in both mainland China and the world.

For sales channels, the Group continuously expanded diversified sales channels and strengthen relationship with existing distributors and new retailers. Among various consumption platforms, TMall and WeChat Business will continue to serve as the major sales channels of the Group to launch more products with new packaging and new fruits. The Group also vigorously explored other innovative ways of retailing to enhance outlets coverage, and expected to establish cooperation with popular online shopping and livestreaming entertainment platforms. Meanwhile, the Group endeavoured to maintain friendly relations and active collaborations with existing exclusive regional distributors so as to secure various products promotional activities in due course. The Group also intended to conduct more targeted brand advertising strategies in order to raise market share and establish domestic offline sales networks.

In respect of product research and development, the Group further strengthened efforts to research and develop new products, so as to improve our innovation capacity and the success rate of achievements transformation. Through cooperation with renowned institutes of food research at home and abroad, the Group promoted industry-university-institute linkage and independent innovation to create more new products with proprietary intellectual property, leading our products to a high end level.

In the area of mergers and acquisitions ("M&A") and strategic partnership strategies, in January 2019, the Group and Sichuan Development Holding Ltd* (四川發展(控股)有限責任公司) signed a memorandum of understanding, whereby both parties will leverage on their own strengths to conduct close cooperation in the agriculture field. This includes developing a base for raw materials, investing in talents, technology, and expertise, investing in relevant agriculture industry projects and providing capital support necessary for acquisition of high-quality agriculture projects in China and abroad. At the same time, both parties intend to invest an aggregate of RMB1 billion in agricultural food projects for the upcoming three years.

* *For identification purposes only*

In addition, the Group and Sichuan Yizhan Enterprise Co., Ltd., ("Sichuan Yizhan") a subsidiary of Sichuan Development International Holding Company Limited (四川發展國際控股有限公司) ("SDIH"), have recently established a joint venture company in Sichuan Province, the PRC. The joint venture company will make full use of the strengths of each party and geographical advantages of Sichuan Province, and jointly develop a supply chain for processed agricultural and food products as well as a base for supply of raw materials that complies with international standards. China (Sichuan) Pilot Free Trade Zone, where the joint venture company located, has become a transportation hub for import and export commodities in Southwest China. It carries the important strategic function of China's "Belt and Road" policy. Sichuan's gross regional product (the "GRP") reached approximately RMB 4,000 billion in 2018, representing a year-on-year increase of approximately 8% and approximately 1.4% higher than the national average of GRP growth rate, while the total retail sales of consumable goods increased approximately 11.1% year on year and approximately 2.1% higher than the national average. In addition, the fruit output (including fresh fruit and dried fruit) in Sichuan Province increased from approximately 840 thousand tons in 2013 to approximately 1,000 thousand tons in 2017, representing a compound annual growth rate of approximately 4.7%. It was expected that the joint venture company will benefit the Group from (i) the increase of economies of scales and better serving the demand of fruit in Southwest China; and (ii) more business opportunities to expand the market to those countries along "the Belt and Road" Initiative.

The joint venture company will focus on businesses such as fruit and vegetable grading, fruit and vegetable canning and processing, fruit and vegetable ice-cream, fruit and vegetable functional beverage, fruit and vegetable international trade, and setting up a fruit and vegetable processing centre, grading centre and trading centre. Through the formation of joint venture company, the Group will accelerate the establishment of its sales and distribution network in the PRC including the western part of the PRC, under its own brand business segment, and establish a production and distribution base for further business expansion and development of subtropical and tropical processed fruit products and other new products.

In June 2019, the Group, SDIH and 日本住商食品 entered into a memorandum of strategic co-operation to establish strategic partnership with respect to the trading and processing of China's Sichuan specialty fruits and vegetables and other agricultural products. This pushes specialty fruits and vegetables and food into a larger international audience through the technological advantages of 日本住商食品, as well as propelling Sichuan agriculture to open up cooperation with the world.

To achieve sustainable business development, the Group will maintain its principal policy of deseasonalization towards all-climate, year-round production of products. As production capacity of the Shandong and Hubei production bases continue to increase, the Group will actively seek M&A opportunities in the future to achieve product and productivity synergies with partners. With the mission of expanding and enriching product lines, the Group will seek to expand sales coverage and product variety of fresh fruits, particularly fruits of tropical and subtropical climates, and to provide more specific and comprehensive services to customers. For product packaging, the Group is actively conducting research on several more environmentally friendly and convenient alternatives to tinned cans, plastic bottles and glass jars for canned food packaging, such as Tetra Pak. New forms of packaging are instrumental in increasing product varieties and specifications as well as raising order volume.

Looking ahead, the Group will continue to optimize business operation and improve efficiency. Meanwhile, in line with the initial objective to provide consumers with healthy, delicious, safe, and convenient fruit products, the Company will overcome all challenges and attain greater triumphs.

Financial Review

Revenue

During the Review Period, our revenue increased to approximately RMB457.6 million from approximately RMB439.3 million for the six months ended 30 June 2018, representing an increase of approximately RMB18.3 million or 4.2%. The Group continued to sell its processed fruit products under its own brand and on an OEM basis, and engaged in trading of fresh fruits. The increase in revenue was mainly attributable to the increase in the sales of our own brand products of approximately RMB48.5 million during the Review Period, and was partially offset by a moderate decrease in the OEM sales, and fresh fruit sales and others of approximately RMB14.8 million and RMB15.4 million respectively.

Management Discussion and Analysis

Breakdown of the revenue by business segments for the six months ended 30 June 2019 and the comparative figures in 2018 is set out as follows:

	For the six months ended 30 June			
	2019	2018	Changes	
	RMB million	RMB million	RMB million	%
Revenue				
Own Brand Sales	**258.0**	209.5	48.5	23.2
OEM Sales	**166.6**	181.4	(14.8)	(8.2)
Fresh Fruits Sales and Others	**33.0**	48.4	(15.4)	(31.8)
Total	**457.6**	439.3	18.3	4.2

During the Review Period, processed fruit products sold under our own brand accounted for 56.4% (2018: 47.7%) of the total revenue and represented the largest segment of the Group. Own brand sales increased from approximately RMB209.5 million for the six months ended 30 June 2018 to approximately RMB258.0 million for the six months ended 30 June 2019, representing a growth of 23.2%. The increase was mainly contributed by (i) the continuous increase in the number of exclusive distributors, (ii) the growing or recurring sales from most of the existing distributors, and (iii) the expansion of the of the direct sales into the retailers channel. The number of our exclusive distributors increased from 210 as at the date of annual report for the year ended 31 December 2018 to 277 as at the date of this report. During the Review Period, the revenue from own brand sales through online channels approximately maintains the same as compared to the revenue of last period.

Revenue from processed fruit products sold on an OEM basis continued to contribute a significant portion of the total revenue of the Group and represented 36.4% (2018: 41.3%) of the total revenue during the Review Period. 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 local trading entities based in the PRC. During the Review Period, revenue from OEM sales slightly decreased by RMB14.8 million or 8.2% from approximately RMB181.4 million for the six months ended 30 June 2018 to approximately RMB166.6 million for the six months ended 30 June 2019.

We also sold fresh fruit and the revenue contributed by fresh fruit sales and others represented 7.2% of the total revenue for the six months ended 30 June 2019 (2018: 11.0%). Revenue from fresh fruit sales and others during the Review Period decreased by RMB15.4 million or 31.8% to approximately RMB33.0 million. The decrease was mainly attributable to a lower quantity of trading on fresh strawberry and peach during the Review Period.

Gross profit and gross profit margin

	For the six months ended 30 June			
	2019	2018	Changes	
	RMB million	RMB million	RMB million	%
Gross profit				
Own Brand Sales	**74.1**	64.8	9.3	14.4
OEM Sales	**50.1**	51.2	(1.1)	(2.1)
Fresh Fruits Sales and others	**3.7**	6.1	(2.4)	(39.3)
Total gross profit	**127.9**	122.1	5.8	4.8

Management Discussion and Analysis

Gross profit for the six months ended 30 June 2019 increased to approximately RMB127.9 million from approximately RMB122.1 million for the six months ended 30 June 2018, representing a period-on-period increase of RMB5.8 million, or 4.8%. The increase was mainly driven by increase in revenue from own brand sales, which was partly offset by the decrease in revenue from OEM sales, and trading of fresh fruit and others.

	For the six months ended 30 June	
	2019	2018
Gross profit margin		
Own Brand Sales	**28.7%**	30.9%
OEM Sales	**30.1%**	28.2%
Fresh Fruits Sales and others	**11.2%**	12.6%
Overall gross profit margin	**28.0%**	27.8%

During the Review Period, gross profit margin slightly increased from 27.8% to 28.0%. The gross profit margin from the OEM sales improved mainly because the increase in the average selling price of OEM products was higher than the increase in average cost. The improvement of the OEM gross margin was also reinforced by the strengthening of RMB against the USD. The drop of the gross profit margin on own brand sales was mainly due to the change of the sales of the processed fruit product mix and the increase in the proportion of the own brand sales to retailers and online channels which have lower gross profit margins in general. With regard to gross profit margin of fresh fruit sales and others, if certain others and miscellaneous adjustments are excluded, the gross profit margin of fresh fruit sales slightly increased to 24.5% for the six months ended 30 June 2019 (2018: 24.0%).

Selling and distribution expenses

Selling and distribution expenses mainly include the transportation costs, promotion expenses, advertising expenses, and salary and related staff costs from sales and marketing department. For the six months ended 30 June 2019, the selling and distribution expenses increased from approximately RMB6.5 million for the six months ended 30 June 2018 to approximately RMB6.9 million, representing a period-on-period increase of approximately RMB0.4 million, or 6.2 %. The increase was broadly in line with the increase in revenue during the Review Period.

General and administrative expenses

General and administrative expenses mainly include salary expenses and related staff costs for management and administrative departments, professional fees, depreciation, foreign exchange differences, and various taxes with regard to the use of land and buildings. The amount increased from RMB19.3 million for the six months ended 30 June 2018 to RMB21.4 million for the six months ended 30 June 2019, representing a period-on-period increase of approximately RMB2.1 million, or 10.9%. Without taking into accounts of the exchange gain of RMB0.1 million (2018: exchange loss of RMB2.3 million) during the Review Period, general and administrative expenses increased by approximately 26.5% or RMB4.5 million for the six months ended 30 June 2019. The increase was mainly attributable to the increase in headcounts and employee benefit expenses from general and administrative team, one-off expenses in relation to repair and maintenance of warehouse, and several non-recurring professional service fees.

Income tax expenses

Income tax expenses represent the PRC enterprise income payable by our PRC subsidiaries. For the six months ended 30 June 2019, our income tax expenses increased by RMB1.3 million, or approximately 5.5%, to RMB25.0 million from RMB23.7 million for the six months ended 30 June 2018. The increase in the income tax expenses was primarily due to increase in our PRC assessable income during the Review Period.

Net profit and net profit margin

For the six months ended 30 June 2019, net profit increased by approximately RMB2.8 million or 4.1% to approximately RMB70.3 million as compared to approximately RMB67.5 million for the six months ended 30 June 2018. The overall increase of net profit during the Review Period was mainly due to the growth of revenue and improvement of gross profit margin. The net profit margin for the Review Period was 15.4% (2018: 15.4%).

Management Discussion and Analysis

Liquidity, financial resources and capital resources

The Group principally meets the requirements for 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 2019	As at 31 December 2018
Gearing ratio (%)	**25.0%**	20.6%
Current ratio	**2.16**	2.39
Cash and cash equivalent (RMB million)	**492.6**	464.6
Net current assets (RMB million)	**411.8**	389.6
Quick ratio	**1.89**	2.05

The gearing ratio of the Group as at 30 June 2019 was 25.0% (31 December 2018: 20.6%). 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 2019 was 2.16 (31 December 2018: 2.39).

As at 30 June 2019, our cash and cash equivalents amounted to approximately RMB492.6 million (31 December 2018: RMB464.6 million). Our net current assets was approximately RMB411.8 million as at 30 June 2019, as compared to approximately RMB389.6 million as at 31 December 2018.

The quick ratio (calculated based on total currents assets (excluding inventory) divided by total current liabilities) of the Group as at 30 June 2019 was 1.89 (31 December 2018: 2.05). 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 RMB811.7 million and RMB370.6 million, respectively as at 30 June 2019 (31 December 2018: RMB766.1 million and RMB323.8 million).

Bank borrowing and other borrowings, and finance costs

As at 30 June 2019, the total amount of an interest-bearing bank and other borrowings (including an amount due to a substantial shareholder of the Group) was approximately RMB290.5 million (31 December 2018: RMB246.6 million). During the Review Period, the Group increased net bank borrowings of approximately RMB44.6 million.

Finance costs of the Group increased from RMB5.8 million for the six months ended 30 June 2018 to RMB6.7 million for the six months ended 30 June 2019, representing an increase of approximately RMB0.9 million or 15.5%. Such increase was mainly attributable to increase in bank and other borrowings, and the rising trend of interest rate during the Review Period.

Management Discussion and Analysis

Pledged assets

The Group pledged its land and buildings as collateral for the bank borrowings. As at 30 June 2019, the net book value of pledged land and buildings amounted to approximately RMB144.6 million (31 December 2018: RMB143.6 million).

Capital expenditure

The Group has no material capital expenditure during the Review Period. The non-current portion of the prepayment included a refundable balance of RMB42.0 million at the PRC government that was brought forward from last year in preparation for participating in the auction for a parcel of land close to our existing production facilities in the Shandong Province, and an amount of approximately RMB14.3 million for building the sewage treatment system and facilities in the Hubei Province. The auction of land and its related process are expected to complete in the last quarter of 2019. The Group plans to start the construction of production facilities as soon as the land acquisition procedures are completed.

Interest rate risk

The Group has not used any derivatives to hedge against interest rate risk. The interest rate risk of the Group arises from the bank balances at floating interest rates, and the bank and other borrowings. The bank borrowing obtained at variable rates exposes the Group to cash flow interest rate risk which is partially offset by the bank balances held at variable rates. The borrowings of the Group at fixed interest rates also expose the Group to fair value interest rate risk. During the Review Period, the bank and other borrowings of the Group at variable rates and fixed rates were all denominated in Renminbi or 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 dollar or Hong Kong dollar. 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. The management will monitor its foreign exchange exposure from time to time and will consider implementing hedging measures if necessary.

Human resources

As at 30 June 2019, the number of employees of the Group was 792 (31 December 2018: 736). The increase in headcounts was mainly attributable to the acquisitions of the Hubei production base and the expansion of the potential production capacity.

The total staff costs, including Directors' emoluments, amounted to approximately RMB24.7 million for the Review Period (six months ended 30 June 2018: approximately RMB19.0 million).

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, share option scheme and share award 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 2019, 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 2019, amounted to approximately RMB11.2 million (31 December 2018: RMB12.8 million).

Management Discussion and Analysis

Material acquisitions and disposals

The Group placed a refundable prepayment of RMB42.0 million with 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 further consideration has been paid.

On 11 February 2019, the Company and Sichuan Yizhan, a subsidiary of a substantial shareholder of the Company, SDIH, entered into a conditional joint investment agreement, pursuant to which the Company and Sichuan Yizhan agree to establish a joint venture company in Sichuan Province, the PRC, to fully utilize the respective strengths of each party, geographical advantages of Sichuan Province and policy advantage of the "Belt and Road Initiative" policy, to collaborate in developing a supply chain for processed agricultural and food products and a base for supply of raw materials that complies with international standards. According to the business plan, the Company shall invest RMB140 million and Sichuan Yizhan shall invest RMB60 million in the registered capital of the joint venture company. The joint venture company was subsequently established on 30 July 2019 with a registered but not yet paid capital of RMB200 million.

During the six months ended 30 June 2019 and up to the date of this report, the Group did not have any other material acquisitions or disposals of subsidiaries or associated companies.

Principal risks and uncertainties

The Group is exposed to a variety of key financial risks including market risk, credit risk and liquidity risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in Note 5 headed "Financial risk management" to the Condensed Consolidated Interim Financial Information of this report.

In the first half of 2019, the Group identified its critical risks through its risk management process. The management of the Group believes that the four critical risks disclosed in the 2018 annual report still existed. For the effects of each category of risks on the Group, the Group has given a detailed description, and prepared corresponding alleviating/avoidance measures to manage such risks. Details are as follows:

Risk in respect of Product Quality and Food Safety

Product quality and food safety are crucial to the food processing industry and the Group has always attached great importance thereto. The risk in respect of product quality and food safety refers to the defects in products or failure of meeting relevant standards, or the risk in respect of raw materials, production process and other products related food safety issues. Any incidents in connection with product quality and food safety may adversely affect the confidence of the public towards the products of the Group, which in turn may affect the business and results of operation of the Group.

Risk Management Measures: The Group is committed to provision of healthy and safe products for customers in strict compliance with international standards and obtaining BRC(A), IFS food (High), HALAL, QS, KOSHER and ISO22000 certificates for production facilities, quality control and management. The Group is the first canned fruit company that passed the audit of FSMA (Food Safety Modernization Act) in the PRC. The Group will continue to strengthen its regulation and supervision over procurement of raw and auxiliary materials. Due to the establishment of an effective supplier evaluation mechanism, all suppliers are reviewed on a regular basis to reassure that they met the required level of corporate credit and product quality, thus ensuring the product quality and safety from the original supply source. Continuous efforts are made to provide intensified professional trainings for the staff of quality control, production management and R&D departments, and conduct test and examination for the raw and auxiliary materials to be warehoused. The finished products to be warehoused are subject to test by batches with stringent processes, so as to ensure safe and sanitary product production process. In addition, tests and examinations are conducted for the products before delivery to prevent substandard products. The Group has established and continuously improved the product tracing system, and has a product quality emergency response plan in place.

Merger and Acquisition Risk

In order to satisfy the increasing orders, the Group may expand its production capacity and enrich its product category through establishing or acquiring other food processing and manufacturing enterprises in the next few years. Acquisitions may be subject to risks including unforeseeable litigations, conflicts between the culture of acquisition target and the Group's culture, poor financial position of acquisition target, and excessive diversion of the Group's resources and management's concern in acquisition. Failure to acquire suitable targets may result in the Group not being able to create synergies with these targets, which may in turn affect our operation and loss of expected profits.

Risk Management Measures: The Group will engage professionals to conduct due diligence and assess the acquisition targets to reduce potential risks of acquisitions including litigation risks and financial risks. The Group may retain the qualified management of the target group to ensure management stability of the target group as far as possible. Trainings will also be offered to all staff of the target group to gradually form a uniform group culture. The Group will adopt an optimised way of fund payment, and improve the internal audit function and the Group's anti-corruption measures on a continuing basis to prevent bribery and other improper behaviour.

Brand and Reputation Risk

The Group will continue its strategy to develop the OEM and own brand business in parallel. If brand promotion is not sufficient, or when negative news appears and public relation professionals fail to deal with the same in a timely manner and disclose comprehensive and proper information to the public, the Group's reputation and brand image may be damaged. Failure in building up the positive image of our brand to the public may hinder our future growth and competitiveness, which may in turn affect the results of operation of the Group.

Risk Management Measures: The Group's existing registered brands include "Bingo Time", "果小懶" and "Tiantong Times". Since 2015, the Group has vigorously consolidated its own brand product business, and engaged professional public relation consultants to handle the possible critical incidents prejudicial to the Group's image. Internally, the Group has also arranged personnels to collect adverse reports on the Group and submit the same to the management in a prompt manner, and the management will deal with the matter in accordance with the policies and processes of the Group. The Group enhances its brand reputation and influence through proactively attending industry forum and other activities as organised by China Canned Food Industry Association. Moreover, the Group plans to engage professionals in brand building, and with the assistance of the market brand consultant, gradually increase investment in advertisement to promote brands and the Group's image by further leveraging on media resources. In the first half of 2019, the Group was awarded two significant prizes, "The Leading Brand of China Canned Food" and "The Leading Company of China Canned Food", and has been listed in the Top 100 China Best Brand Value (for a particular category).

International Business Environment Risk

The Group's products are sold in both the domestic and overseas markets. The uncertainty of the international political and policy trend may have a negative impact on our overseas sales, for example, the recent US-China trade friction leads to the increase of US tariffs on Chinese imports, which may lead to the increase of retail price of our products in the US market, thus causing erosion of the price competitiveness of our products in the US market. If the US-China trade war sustains or worsens, it may adversely affect the business prospects of the Group in the US markets.

Risk Management Measures: The Group has set up dedicated task force that work closely with the management and external professionals to monitor and identify changes in overseas political environment and trade regulations, particularly the China and US trade relations, so as to adjust the Group's overseas sales plan and payment receipts strategy on a timely manner, and take appropriate measures to ensure the Group is in compliance with applicable laws, regulations and quality standards.

The above are not intended to be an exhaustive list of all principal risks and uncertainties the Group is facing. These may change from time to time as new risks and uncertainties emerge and others cease to be a concern.

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 14 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 2019 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, 29 August 2019

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
	Note	**2019 RMB'000**	2018 RMB'000
Revenue	*7*	**457,613**	439,294
Cost of sales	*8*	**(329,746)**	(317,212)
Gross profit		**127,867**	122,082
Other income	*7*	**811**	585
Other gain/(loss), net	*7*	**939**	(368)
Selling and distribution expenses	*8*	**(6,941)**	(6,508)
General and administrative expenses	*8*	**(21,405)**	(19,311)
Operating profit		**101,271**	96,480
Finance income		**794**	599
Finance costs		**(6,722)**	(5,839)
Finance costs – net	*9*	**(5,928)**	(5,240)
Profit before income tax		**95,343**	91,240
Income tax expense	*10*	**(25,046)**	(23,746)
Profit and total comprehensive income for the period attributable to equity holders of the Company		**70,297**	67,494
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB cents)			
– Basic earnings per share	*12*	**7.18**	6.90
– Diluted earnings per share	*12*	**7.17**	6.74

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 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	*14*	**65,664**	–
Leasehold land and land use rights	*13*	**–**	66,521
Property, plant and equipment	*13*	**257,249**	262,167
Prepayments	*15*	**56,351**	55,660
Investment properties	*16*	**35,600**	34,100
Goodwill		**1,104**	1,104
Total non-current assets		**415,968**	419,552
Current assets			
Inventories		**94,982**	90,250
Trade and other receivables	*15*	**178,715**	115,430
Cash and cash equivalents		**492,595**	464,590
Total current assets		**766,292**	670,270
Total assets		**1,182,260**	1,089,822
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*17*	**184,800**	207,383
Reserves		**626,901**	558,684
Total equity		**811,701**	766,067
LIABILITIES			
Non-current liabilities			
Bank borrowings	*20*	**–**	27,535
Contingent consideration payable		**16,111**	15,550
Total non-current liabilities		**16,111**	43,085
Current liabilities			
Trade payables	*18*	**14,242**	26,951
Accruals and other payables	*19*	**22,840**	19,163
Amount due to a substantial shareholder		**87,966**	88,826
Bank and other borrowings	*20*	**202,561**	130,234
Current income tax liabilities		**4,256**	15,496
Dividend payable		**22,583**	–
Total current liabilities		**354,448**	280,670
Total liabilities		**370,559**	323,755
Total equity and liabilities		**1,182,260**	1,089,822

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 2018

	Unaudited Attributable to equity holders of the Company							
	Share capital RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Revaluation reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2018	232,459	10,431	(3,100)	303	22,500	2,923	388,396	653,912
Comprehensive income								
Profit for the period	–	–	–	–	–	–	67,494	67,494
Total comprehensive income for the period	–	–	–	–	–	–	67,494	67,494
Transaction with equity holders								
Dividends paid relating to 2017 (Note 11)	(10,326)	(10,431)	–	–	–	–	–	(20,757)
Employees share option scheme:								
– share-based compensation expenses	–	–	–	–	–	65	–	65
Total transactions with equity holders	(10,326)	(10,431)	–	–	–	65	–	(20,692)
Balance at 30 June 2018	222,133	–	(3,100)	303	22,500	2,988	455,890	700,714

For the six months ended 30 June 2019

	Unaudited Attributable to equity holders of the Company							
	Share capital RMB'000	**Merger reserve RMB'000**	**Revaluation reserve RMB'000**	**Statutory reserve RMB'000**	**Share option reserve RMB'000**	**Share held under share award scheme RMB'000**	**Retained earnings RMB'000**	**Total equity RMB'000**
Balance at 1 January 2019	**207,383**	**(3,100)**	**303**	**55,462**	**2,382**	**–**	**503,637**	**766,067**
Comprehensive income								
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**70,297**	**70,297**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**70,297**	**70,297**
Transaction with equity owners								
Dividends declared relating to 2018 (Note 11)	**(22,583)**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,583)**
Employees share award scheme:								
– acquisition of shares held under share award scheme	**–**	**–**	**–**	**–**	**–**	**(2,080)**	**–**	**(2,080)**
Transfer of reserves	**–**	**–**	**–**	**7,136**	**–**	**–**	**(7,136)**	**–**
Total transactions with equity owners	**(22,583)**	**–**	**–**	**7,136**	**–**	**(2,080)**	**(7,136)**	**(24,663)**
Balance at 30 June 2019	**184,800**	**(3,100)**	**303**	**62,598**	**2,382**	**(2,080)**	**566,798**	**811,701**

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 2019

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	**33,564**	106,284
Interest paid	**(6,722)**	(4,618)
Income tax paid	**(36,286)**	(10,025)
Net cash (used in)/generated from operating activities	**(9,444)**	91,641
Cash flows from investing activities		
Purchases of property, plant and equipment	**(5,242)**	(4,277)
Prepayments for property, plant and equipment	**(691)**	–
Cash paid for business acquisition	**–**	(14,597)
Cash acquired from business combination	**–**	198
Interest received	**794**	599
Net cash used in investing activities	**(5,139)**	(18,077)
Cash flows from financing activities		
Proceeds from bank and other borrowings	**147,339**	101,274
Repayments of bank and other borrowings	**(102,764)**	(68,000)
Proceeds from issuance of convertible bond	**–**	26,032
Acquisition of the Company's shares under share award scheme	**(2,080)**	–
Transaction costs paid for issuance of convertible bond	**–**	(558)
Repayments of loans from a leasing company	**–**	(7,592)
Dividends paid to shareholders	**–**	(20,757)
Net cash generated from financing activities	**42,495**	30,399
Net increase in cash and cash equivalents	**27,912**	103,963
Cash and cash equivalents at beginning of the period	**464,590**	309,167
Exchange gains/(losses) on cash and cash equivalents	**93**	(1,716)
Cash and cash equivalents at end of the period	**492,595**	411,414

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 on 7 July 2015.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018, 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 2018, 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 2019. 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 2019.

(a) The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2019:

- Amendments to HKFRS 9, "Prepayment Features with Negative Compensation"
- HKFRS 16, "Leases"
- Amendments to HKAS 19, "Plan Amendment, Curtailment or Settlement"
- Amendments to HKAS 28, "Long-term Interests in Associates and Joint Ventures"
- HK(IFRIC)-Int 23, "Uncertainty over Income Tax Treatments"
- Annual Improvements 2015-2017 Cycle, "Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23"

The impact of the adoption of HKFRS 16 has been disclosed in below. The other standards effective from 1 January 2019 did not have significant impacts on the Group's results and financial position and did not require retrospective adjustments.

3 Accounting policies (Continued)

(a) The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2019: (Continued)

The Group has adopted HKFRS 16 from 1 January 2019. HKFRS 16 provides new provisions for the accounting treatment of leases and all non-current leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The lessor accounting largely remains unchanged.

(i) Adjustments recognised on adoption of HKFRS 16

In accordance with the transition provisions of HKFRS 16, the Group has adopted the modified retrospective application for existing leases at 1 January 2019 with certain practical expedients, and under which comparative figures are not restated.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Group applied the following practical expedients on transition to HKFRS 16 for those leases which were previously classified as operating leases under HKAS 17.

- Reliance on previous assessment on whether leases are onerous.
- The accounting for operating lease with a remaining lease term of less than 12 months as at 1 January 2019 as short term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

The following table reconcile the operating lease commitment as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	**352**
Less:	
Short-term leases with remaining lease term ending on or before 31 December 2019	**(352)**
Lease liabilities recognised as at 1 January 2019	**–**

3 Accounting policies (Continued)

(a) The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2019: (Continued)

(i) Adjustments recognised on adoption of HKFRS 16 (Continued)

As at 1 January 2019, the leasehold land and land use right of RMB66,521,000 was reclassified to "Right-of-use assets".

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:	As at 31 December 2018 RMB'000	Effects of the adoption of HKFRS 16 RMB'000	**As at 1 January 2019 RMB'000**
Non-current assets			
Leasehold land and land use rights	66,521	(66,521)	**–**
Right-of-use assets	–	66,521	**66,521**

(ii) The Group's leasing activities and how these are accounted for

The Group leases offices premises. Rental contracts are typically made for fixed periods of 2 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 December 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

3 Accounting policies (Continued)

(a) The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2019: (Continued)

(ii) The Group's leasing activities and how these are accounted for (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 7	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Group are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Group 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 2018.

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.

5 Financial risk management (Continued)

5.1 Financial risk factors (Continued)

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 2018.

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.

As at 30 June 2019, the Group has contractual undiscounted cash outflow for financial liabilities of RMB331,768,000 (31 December 2018: RMB292,227,000).

The Group holds cash and cash equivalents of RMB492,595,000 (31 December 2018: RMB464,590,000) and trade receivables of RMB172,099,000 (31 December 2018: RMB110,056,000) that are expected to generate cash inflows for managing liquidity risk.

5.3 Fair value estimation

(a) Financial assets and liabilities

The fair values of the trade and other receivables, cash and cash equivalents, trade 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).

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 2019 RMB'000	31 December 2018 RMB'000
Liability		
Contingent consideration payable	**16,111**	15,550

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

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

(a) *Financial assets and liabilities (Continued)*

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.

(b) *Investment properties*

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 were no change to the valuation techniques during the period.

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 sales of processed fruit products and trading of fresh fruits, and segment information are not presented.

The Company is domiciled in the British Virgin Islands ("BVI") while the Group operates its business in the People's Republic of China ("PRC"). The Group's revenue of RMB433,493,000 and RMB396,241,000 was generated from domestic and overseas customers based in the PRC, and the Group's revenue of RMB24,120,000 and RMB43,053,000 was generated from direct overseas customers for the six months ended 30 June 2019 and 2018, 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

No single customer contributed over 10% of the Group's total revenue for the six months ended 30 June 2019 and 2018.

7 Revenue and other income

The Group is principally engaged in the manufacturing and sales of processed fruits products and trading of fresh fruits. Revenue recognised during the periods ended 30 June 2019 and 2018 are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Domestic sales	**433,493**	396,241
Direct overseas sales	**24,120**	43,053
Total sale of goods	**457,613**	439,294
Timing of revenue recognition		
– At a point in time	**457,613**	439,294

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Other income		
Government subsidies	**742**	247
Rental income (Note 16)	**69**	338
	811	585
Other gain/(loss), net		
Re-measurement on convertible bonds	**–**	(868)
Fair value gain on investment properties (Note 16)	**1,500**	500
Fair value change of the contingent consideration payable	**(561)**	–
	939	(368)

8 Operating profit

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Auditors' remuneration	**1,219**	828
Cost of inventories sold	**304,221**	293,378
Depreciation of property, plant and equipment (Note 13)	**10,160**	9,391
Amortisation on land use right (Note 13)	**–**	830
Depreciation of right-of-use assets (Note 14)	**857**	–
Employee benefit expenses (including directors' emoluments)	**24,699**	19,019
Operating lease payments	**222**	217
Foreign exchange (gain)/loss	**(119)**	2,342
Land taxes, surcharges and other taxes	**2,495**	5,981

9 Finance costs, net

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Finance income		
Interest income on short-term bank deposits	**794**	599
Finance costs		
Interest expenses on loans from a leasing company	**–**	(504)
Interest expenses on bank and other borrowings	**(4,240)**	(2,395)
Interest expenses paid to a substantial shareholder	**(2,482)**	–
Interest expenses on convertible bonds	**–**	(2,382)
Transaction costs for issuance of convertible bond	**–**	(558)
	(6,722)	(5,839)
Finance costs, net	**(5,928)**	(5,240)

For the period ended 30 June 2019, the Group has no qualifying assets qualified for capitalising borrowing costs (six months ended 30 June 2018: Nil).

10 Income tax expense

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

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

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

At 30 June 2019, the undistributed profits of the Group's subsidiaries in the PRC that subject to the temporary differences amounted to RMB591,326,000 (2018: RMB529,791,000).

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

10 Income tax expense (Continued)

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current income tax		
PRC corporate income tax	**24,332**	23,746
Withholding tax relating to PRC subsidiaries		
Provision for the period	**714**	–

11 Dividends

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Final dividend declared/paid during the period:		
2018 final dividend declared HK$ 0.027 per ordinary share (2017: HK$0.026 per ordinary share paid)	**22,583**	20,757
Interim dividend declared subsequent to the period end:		
2019 interim dividend HK$ 0.018 per ordinary share (2018: HK$0.017 per ordinary share)	**15,483**	14,586

On 14 June 2019, the Shareholders approved a final dividend of HK$0.027 per ordinary share for the year ended 31 December 2018 to Shareholders whose names appeared on the register of members of the Company on 2 July 2019.

The final dividend, amounting in aggregate to HK$26,391,000 (equivalent to RMB22,583,000), was paid on 7 August 2019.

The Board has declared that an interim dividend of HK$0.018 per ordinary share for the six months ended 30 June 2019 to shareholders whose names appear in the Register of Members on 29 November 2019.

12 Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue, including the weighted average number of issuable shares which all necessary conditions have been satisfied under the consideration share arrangement, deducting the weighted average number of shares held under the share award scheme during the periods.

	Six months ended 30 June	
	2019	2018
Profit attributable to equity holders of the Company (RMB'000)	**70,297**	67,494
Weighted average number of ordinary shares in issue (thousand)	**977,462**	977,462
Weighted average number of issuable shares (thousand)	**3,083**	33
Less: shares held under shares award scheme	**(2,127)**	–
	978,418	977,495
Basic earnings per share (RMB cents)	**7.18**	6.90

(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. For the share options, adjustment has been made to determine 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. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2019	2018
Profit attributable to equity holders of the Company (RMB'000)	**70,297**	67,494
Effect of dilutive potential shares:		
Interest expenses of convertible bonds (RMB'000)	**–**	1,989
Remeasurement on convertible bonds (RMB'000)	**–**	868
	70,297	70,351

	Number of shares	
	2019	2018
Weighted average number of shares for calculation of basic earnings per share (thousand)	**978,418**	977,495
Effect of dilutive potential shares:		
Convertible bonds assumed to be converted at the date of issuance (thousand)	**–**	63,766
Share options of the Company assumed to be exercised (thousand)	**1,419**	2,014
Weighted average number of shares for calculation of diluted earnings per share (thousand)	**979,837**	1,043,275
Diluted earnings per share (RMB cents)	**7.17**	6.74

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 2019								
Net book value	**66,521**	**205,019**	**225**	**48,205**	**3,062**	**2,450**	**3,206**	**328,688**
Opening amount as at 1 January 2019								
Impact on initial application of HKFRS 16	**(66,521)**	**–**	**–**	**–**	**–**	**–**	**–**	**(66,521)**
Additions	**–**	**286**	**2**	**573**	**–**	**100**	**4,281**	**5,242**
Depreciation (Note 8)	**–**	**(6,353)**	**(30)**	**(3,155)**	**(196)**	**(426)**	**–**	**(10,160)**
Closing amount as at 30 June 2019	**–**	**198,952**	**197**	**45,623**	**2,866**	**2,124**	**7,487**	**257,249**
Six months ended 30 June 2018								
Net book value	56,976	147,013	115	45,028	3,095	2,773	1,670	256,670
Opening amount as at 1 January 2018								
Acquisition of subsidiaries	11,233	63,153	88	6,179	335	227	27	81,242
Additions	–	2,564	90	1,153	–	370	100	4,277
Transfer	–	–	–	246	–	–	(246)	–
Depreciation and amortisation (Note 8)	(830)	(5,215)	(8)	(3,501)	(206)	(461)	–	(10,221)
Closing amount as at 30 June 2018	67,379	207,515	285	49,105	3,224	2,909	1,551	331,968

Construction in progress as at 30 June 2019 mainly comprises the leasehold improvement work being carried out in the integrated development centre.

As at 30 June 2019 and 31 December 2018, the net book value of buildings of RMB78,908,000 (As at 31 December 2018: RMB77,123,000) were pledged to banks for securing the Group's general banking facilities (Note 20).

During the period ended 30 June 2019, no borrowing cost has been capitalised (for the six months ended 30 June 2018: nil).

HKFRS 16 has been applied using the modified retrospective approach, has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance at 1 January 2019. On that date, the Group has already reclassified leasehold land and land use rights to right-of-use assets (Note 14).

14 Right-of-use assets

The Group obtains right to control the use of assets including leasehold land and land use rights which are negotiated on an individual basis and contained terms ranging from 41 to 43 years. Information about leases for which the Group is a lessee is presented below:

	Leasehold land and land use rights RMB'000
Balance at 1 January 2019	–
Impact on initial application of HKFRS 16 (Note)	66,521
Depreciation (Note 8)	(857)
	65,664

Note:

As at 30 June 2019, the net book value of right-of-use assets in relation to leasehold land and land use rights of RMB65,664,000 (Leasehold land and land use rights as at 31 December 2018: RMB66,521,000) were pledged to banks for securing the Group's general banking facilities (Note 20).

15 Trade and other receivables

		As at	
	Note	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade receivables	*(a)*	172,099	110,056
Prepayments	*(b)*	60,920	58,975
Other receivables	*(b)*	2,047	2,059
		235,066	171,090
Less: non-current portion			
Prepayments for property, plant and equipment		(14,351)	(13,660)
Prepayment for land use rights		(42,000)	(42,000)
Current portion		178,715	115,430

15 Trade and other receivables (Continued)

(a) Trade receivables

The Group's credit terms granted to wholesale customers and retailers generally ranged from 30 to 120 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Less than 30 days	**77,731**	56,748
31 to 60 days	**92,641**	52,114
61 to 90 days	**1,644**	998
91 to 120 days	**–**	116
121 to 180 days	**–**	80
181 to 365 days	**83**	–
	172,099	110,056

No provision for impairment of trade receivables was made as at 30 June 2019 and 31 December 2018.

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

(b) Prepayments and other receivables

The carrying amounts of prepayments and other receivables approximate their fair values. Other receivables do not contain impaired assets. The non-current portion of the prepayment included a refundable balance of RMB42 million at the PRC government for participating in the auction for a parcel of land close to the existing production facilities in Shandong.

16 Investment properties

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Fair value of investment properties	**35,600**	34,100

Amounts recognised in profit or loss for investment properties

	Six months ended	
	30 June 2019 RMB'000	30 June 2018 RMB'000
Rental income	**69**	338
Fair value gain recognised	**1,500**	500

16 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	5,733	Land use rights for a term expired 18 April 2057

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

17 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 2019	977,462,000	262,951	207,383
Dividend relating to 2018	–	(26,391)	(22,583)
As at 30 June 2019	977,462,000	236,560	184,800
As at 1 January 2018	977,462,000	292,211	232,459
Dividend relating to 2017 paid in 2018	–	(12,643)	(10,326)
As at 30 June 2018	977,462,000	279,568	222,133

Share Option Scheme

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

		Number of share options (thousand)				
Expiry date	Exercise price in HK$ per share option	As at 1 January 2019	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2019
31 December 2020	HK$1.70	3,000	–	–	–	3,000
31 December 2021	HK$0.97	7,700	–	–	–	7,700

Notes:

(a) 3,000,000 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 each were granted on 6 October 2015 and 21 April 2016 respectively.

(b) For the six months ended 30 June 2019, no share options were lapsed (for the six months ended 30 June 2018: Nil).

(c) For the six months ended 30 June 2019, no share option expense was recognised and included in employee benefit expenses (for the six months ended 30 June 2018: RMB65,000).

(d) Except for the shares acquired under the share award scheme, during the period ended 30 June 2019, no shares are re-purchased.

17 Share capital (Continued)

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 share ("Awarded Shares") to eligible employees within the Group. Under the Share Award Scheme, a trustee is appointed to acquire the Company's own shares at 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.

The trustee started to acquire the Company's share during the six months ended 30 June 2019. There was no awarded shares granted, forfeited or vested during the period.

The number of shares acquired and the amounts paid for the acquisitions for the six month ended 30 June 2019 are presented below:

	Number of shares '000	**Amount paid RMB'000**
At 1 January 2019	**–**	–
Purchase during the period	**2,216**	2,080
Shares vested during the period	**–**	–
At 30 June 2019	**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 "Share held under share award scheme" in the reserve as at 30 June 2019.

18 Trade payables

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

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Less than 30 days	**8,921**	20,028
31 to 90 days	**1,664**	3,727
91 to 180 days	**1,608**	1,830
181 to 365 days	**1,261**	464
Over 365 days	**788**	902
	14,242	26,951

The carrying amounts of trade payables approximate their fair values.

19 Accruals and other payables

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Accrued employee benefit expenses	**4,860**	6,826
Land taxes, surcharges and other taxes payables	**6,659**	5,500
Other payables for purchases of property, plant and equipment	**1,351**	1,472
Others	**9,970**	5,365
	22,840	19,163

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

20 Bank and other borrowings

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

	30 June 2019			31 December 2018		
	Bank borrowings RMB'000	**Other loans RMB'000**	**Total RMB'000**	Bank borrowings RMB'000	Other loans RMB'000	Total RMB'000
Within 1 year	**176,171**	**26,390**	**202,561**	103,948	26,286	130,234
Between 1 and 2 years	**–**	**–**	**–**	27,535	–	27,535
	176,171	**26,390**	**202,561**	131,483	26,286	157,769

Movements in bank and other borrowings are analysed as follows:

	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000
Opening amount at 1 January	**157,769**	81,677
New bank and other borrowings obtained	**147,339**	101,274
Bank borrowing obtained from the business combination	**–**	38,888
Repayments of borrowings	**(102,764)**	(75,592)
Foreign exchange	**217**	–
Closing amount at 30 June	**202,561**	146,247

Interest expense on bank and other borrowings for the six months ended 30 June 2019 is approximately RMB4,240,000 (for the six months ended 30 June 2018: RMB2,899,000), the Group has no qualifying assets qualified for capitalising borrowings costs for the six months ended 30 June 2019 and 2018.

21 Contingencies

The Group did not have any material contingent liabilities as at 30 June 2019 and 31 December 2018.

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 2019 RMB'000	31 December 2018 RMB'000
Property, plant and equipment	**11,157**	12,813

(b) Operating lease commitments

(i) As lessor

The Group leases its investment properties (Note 16) under operating lease arrangements with leases generally negotiated for terms ranging from two to five years. 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 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Not later than 1 year	**568**	141
Later than 1 year and no later than 5 years	**526**	355
	1,094	496

(ii) As lessee

As at 31 December 2018, the Group had future aggregate minimum lease payment under non-cancellable operating leases in respect of office premises as follows:

	As at 31 December 2018 RMB'000
Not later than 1 year	352

23 Related party transactions

(a) The directors are of the view that the following companies were related parties that had balances with the Group during the period ended 30 June 2019 and year ended 31 December 2018:

Name of the related parties	Principal business activities	Relationship with the Group
Wealthy Active Limited	Investment holding in the British Virgin Islands	Substantial Shareholder

(b) Balance with a related party

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

	As at	
	30 June 2019 RMB'000	31 December 2018 RMB'000
Amount due to a substantial shareholder – Wealthy Active Limited	**87,966**	88,826

(c) Transaction with a related party

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Interest paid or payable to a substantial shareholder – Wealthy Active Limited	**2,482**	–

As at 30 June 2019, amount due to a substantial shareholder was unsecured, with interest rate of 5.8% per annum and repayable in one year. The carrying amount of amount due to a substantial shareholder approximates its fair value and is denominated in HKD.

(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	
	2019 RMB'000	2018 RMB'000
Basic salaries, allowances and benefits in kind	**2,239**	1,441
Social security costs	**43**	36
Defined contribution - MPF	**31**	16
Share-based compensation expenses	**–**	20
	2,313	1,513

Other Information

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

During the six months ended 30 June 2019, 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 2019, 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	187,702,260 *(Note 1)*	19.20%
Ms. Chu Yinghong	Interest of spouse	187,702,260 *(Note 2)*	19.20%
Mr. Sun Xingyu	Interest of a controlled corporation	110,000,000 *(Note 3)*	11.25%
Mr. Tsang Yuen Wai	Beneficial owner	192,000 *(Note 4)*	0.02%

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.

4. Mr. Tsang Yuen Wai, an independent non-executive Director, has purchased certain Shares but due to inadvertent oversight, he has filed the relevant notice beyond the stipulated deadline.

Save as disclosed above, as at 30 June 2019, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Other Information

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

As at 30 June 2019, 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
Sichuan Development International Holding Company Ltd. *(Note 1)*	Beneficial owner	263,914,740	27.00%
Wealthy Active Limited *(Note 2)*	Beneficial owner	187,702,260	19.20%
Wealthy Maker Limited *(Note 3)*	Beneficial owner	110,000,000	11.25%
Sino Red Limited *(Note 4)*	Beneficial owner	73,467,000	7.52%

Notes:

1. Sichuan Development International Holding Company Ltd. is wholly-owned by 四川發展(控股)有限責任公司 (Sichuan Development Holding Company Ltd.).

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 2019.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") with effect from 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.

Other Information

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.

Movements of the Company's share options during the six months ended 30 June 2019 were as follows:

Grantee	Outstanding 01/01/2019	Exercised during the period ended 30/06/2019	Forfeited during the period ended 30/06/2019	Outstanding at 30/06/2019	Date of Grant	Exercised period	Exercise price (HK$)	Price of the Company's share immediately before the grant date
Key management	510,000	–	–	510,000	06/10/2015	*Note 1*	1.70	1.70
Other Employees	2,490,000	–	–	2,490,000	06/10/2015	*Note 1*	1.70	1.70
	3,000,000	–	–	3,000,000				
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	10,700,000	–	–	10,700,000				

Notes:

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 2018 on the condition that the relevant grantee is still the employee of the Group at the material time).

Other Information

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 2018 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 2019 on the condition that the relevant grantee is still the employee of the Group at the material time).

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 share was granted under the Share Award Scheme.

Interim Dividend

The Board of Directors has resolved to pay an interim dividend for the six months ended 30 June 2019 of HK1.8 cents per share (30 June 2018: HK1.7 cents per share). The dividend will be payable on or around Friday, 20 December 2019 to shareholders whose names appear in the Company's Register of Members at the close of business on Friday, 29 November 2019, being the record date for determination of entitlement to the interim dividend.

Significant Investments

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

Close of register of Members

The register of members of the Company will be closed from Wednesday, 27 November 2019 to Friday, 29 November 2019, both days inclusive, during which no transfer of shares will be affected. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Tuesday, 26 November 2019.

Compliance with the Corporate Governance Code

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

Under code provision A.2.1 of the CG Code as set out in Appendix 14 of the Listing Rules, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yang Ziyuan is our chief executive officer, and he also acts as the chairman of our Board as he has considerable experience in the fruit processing industry. The Board believes that vesting the roles of both the chairman of our Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. Save for the aforesaid, the Board is of the view that the Company has complied with the code provisions as set out in the CG Code during the Review Period and up to the date of this report.

Other Information

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. Tsang Yuen Wai (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 2019 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 applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2019.

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, 29 August 2019