

# Tianyun International Holdings Limited

## 天韻國際控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 6836.HK

### INTERIM REPORT 2023

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# Corporate Information

## Board of Directors

### Executive Directors

Mr. Yang Ziyuan (*Chairman and Chief Executive Officer*)  
Mr. Yeung Wan Yiu  
Mr. Sun Xingyu  
Ms. Lv Chunxia

### Non-executive Directors

Ms. Chu Yinghong  
Mr. Wong Yim Pan

### Independent Non-executive Directors

Mr. Liang Zhongkang  
Mr. Shiu Shu Ming  
Prof. Ye Xingqian

### Audit Committee

Mr. Shiu Shu Ming (*Chairman*)  
Mr. Liang Zhongkang  
Prof. Ye Xingqian

### Nomination Committee

Mr. Yang Ziyuan (*Chairman*)  
Mr. Liang Zhongkang  
Mr. Shiu Shu Ming  
Prof. Ye Xingqian

### Remuneration Committee

Mr. Liang Zhongkang (*Chairman*)  
Mr. Yang Ziyuan  
Mr. Shiu Shu Ming  
Prof. Ye Xingqian

### Strategic Development and Investment Committee

Mr. Yang Ziyuan (*Chairman*)  
Mr. Yeung Wan Yiu  
Mr. Sun Xingyu  
Ms. Chu Yinghong  
Mr. Wong Yim Pan  
Mr. Liang Zhongkang  
Mr. Shiu Shu Ming  
Mr. Ho Ho Tung Armen

### Company Secretary

Mr. Ho Ho Tung Armen

### Authorised Representatives

Mr. Ho Ho Tung Armen  
Mr. Yeung Wan Yiu

## Principal Place of Business in China

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

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

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

## Principal Place of Business in Hong Kong

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

## Branch Share Registrar and Transfer Office Hong Kong

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## Legal Adviser as to Hong Kong Law

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

## Legal Adviser as to PRC Law

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

## Principal Bankers

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

## Auditor

Elite Partners CPA Limited  
Certified Public Accountants  
Registered Public Interest  
Entity Auditor  
10/F., 8 Observatory Road  
Tsim Sha Tsui, Kowloon  
Hong Kong

## Company's Website

<http://www.tianyuninternational.com>

## Enquiries

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## Stock Code

6836





# Management Discussion and Analysis

## Business Review

In the first half of 2023, the global economy was still affected by many uncertain factors such as high inflation, tense geopolitical situation and soaring public debt rate. It is forecasted by the International Monetary Fund (IMF) that the growth rate of the global economy for 2023 will slow down to 2.8% and advanced economies are expected to see an especially pronounced growth slowdown. Nevertheless, it is forecasted by IMF that China's economic growth will rebound to 5.2% in 2023. China can still achieve its full potential as the world's largest consumer market despite the influence of many uncertain external factors. In the first half of 2023, China's GDP increased by 5.5% as compared with the same period last year with the total retail sales of consumer goods increased by 8.2% year-on-year. With the economy and society fully recovering to normal and the effective implementation of the macroeconomic policies, the national economy is recovering well and high quality development is advancing steadily. It is expected that the domestic consumer market will continue to recover. Complemented by the series of policies implemented by the Central Government to boost domestic demand, and restore and expand consumption, the role of "consumption" as the driving force of economic growth will be more significant.

During the Review Period, the overall business of the Group remained stable and healthy and the Group continued to focus on creating value, improving risk management and control capabilities and enhancing operational efficiency, so as to boost the Group's revenue and profitability, as well as to seize the opportunities brought by the gradual restoration of the market's purchasing power. The Group has been committed to expanding its sales network, strengthening its R&D and adding innovative elements to its existing products, with an aim to introduce more diversified and healthier fruit products and specialty beverages to the market. In the first half of 2023, the Group recorded steady progress in its sales performance and continuous improvement in its results and the overall financial condition remained solid. The Group also continued to comprehensively enhance its product mix, its own brand series and its operation capability, driving the sustainable development of the Company.

As a socially responsible enterprise, the Group is committed to upholding ESG principles for sustainable development in green products, talents, corporate governance, and green and low-carbon development, and leading the industry in carrying out quality development. Aligning with China's "dual carbon" target, the Group has fulfilled our corporate social responsibility. During the period, Mr. Yang Ziyuan, the Chairman and Chief Executive Officer of the Group, was awarded one of Forbes China's "2023 GBA ESG Entrepreneur 30". We aim to achieve our ESG development goals by fully integrating ESG elements into our operations and business development and collaborating with our stakeholders.

## Own Brand and OEM Business

As a company that has continuously won the title of National High-Tech Enterprise, the Group owns various inventions, utility models and appearance design patents. By comprehensively promoting product R&D and innovation, actively exploring new product lines, enriching product mix and enhancing the technological level of food production, the Group aims to offer high quality and diversified products to consumers in China and abroad, as well as to realize business growth.

The Group's series of own brand products have successfully gained a good reputation in the market, achieving impressive results. With the increasing awareness of public health, the market demand for sports beverages is on the rise. According to the "Healthy China 2030 Planning Outline" issued by the State Council of China, it is expected that by 2030, the number of people regularly participating in sports and fitness training in China will reach 530 million. As the number of people participating in sports and fitness training continues to increase, it is anticipated that the sports beverage market will continue to expand, and the drinking scenarios are becoming more everyday-oriented, which can drive continuous growth in sales. According to the data from iiMedia Research, the Chinese sports beverage market is projected to reach approximately RMB21.6 billion by 2024. In light of this, the Group has successfully developed vitamin sports beverages with fruit granules and fruit enzyme sports beverages, offering consumers with high quality sports drink products for nutritional supplementation and maintaining physical health.



# Management Discussion and Analysis

In order to allow consumers to fully experience the fresh energy elements of the Group's innovative fruit granular sports drinks, the Group successfully held the "New '享派Shiok Party' Fresh Fruit Sports Beverage Series Launch Event and Beverage Tasting Activity in Greater China" in May this year. The event was supported by accomplished guests and renowned sports superstars, and in particular, the Group was honoured to have Mr. Li Dashuang, President of Hubei Provincial Gymnastics Association and former member of the National Gymnastics Team; and Mr. Li Xiaoshuang, former member of the National Gymnastics Team and Olympic gold medalist, as product endorsers. As renowned athletes, they helped consumers to understand the importance of sports beverages in sports and actively promoted a healthy lifestyle, bringing valuable experiences and insights into sports, sports beverages, and sports development. The Group is confident in bringing high quality and healthy sports beverages to the Chinese sports beverage market and together creating a premium Chinese sports beverage brand.

Meanwhile, in order to cope with the ever-changing market demand and cater for the needs of consumers, we continue to boost the brand image of the Group's own brand, enhance its product quality, upgrade the packaging of products and introduce more fashion and leisure elements to the products, with an aim to provide consumers with more diversified and trendy packaged products, as well as de-seasonal products, while enriching our product lines. In addition, the Group seized the opportunity to cultivate and optimize marketing layout by strengthening its interaction with consumers through various promotional activities and exhibitions, as well as boosting the image of its own brand and product sales.

The Group's OEM business continued to provide a stable source of income with seamless cooperation with renowned international food brands. As the global market's appetite for processed fruit products made in China remains massive, the Group's OEM business currently has its presence in five continents with increasingly global customer base from international renowned brands in the UK, Europe, Canada, the US, Australia, New Zealand, Southeast Asia and Japan. Looking forward, the Group will strive to open up more opportunities for strategic cooperation and drive the development of our OEM business.

## Trading of Fresh Fruits and Others

The Group has been actively developing domestic and cross-border fresh fruit sales channels, while promoting more sales, processing and trading of fresh fruits from different origins of both domestic and overseas markets, in order to bring a richer and more diversified variety of quality fruits and processed fruits to the consumers at large. Meanwhile, the Group has been actively looking for business partners of reputable brands at home and abroad, while expanding business cooperation associated with fresh fruits and establishing closer relationships with existing clients, so as to further enhance the development outlook for the Group's business.

## Expansion of Production Capacity

In order to cater for the increasing market demand, the Group has been actively planning the expansion of production capacity, and the production base in Shandong has been continuously improving its production facilities and enhanced automation. The newly-built No. 5 and No. 6 production workshops have gradually been put into operation, which will significantly enhance the production capacity of the Group. In addition, it is expected that the Group's Yunnan production base in Mile Green Food Processing Park of Honghe Prefecture will start to be put into partial use by the end of 2023. With a site area of over 130,000 square metres and total designed annual production capacity of 90,000 tonnes, Yunnan production base is expected to be an important infrastructure for the Group's development in China's tropical climate region, while comprehensively expanding the Group's total production capacity as well as facilitating convenience for warehousing and logistics arrangements across China. It is expected that after Yunnan production base is completed and put into production, it can achieve synergies with Shandong production base to significantly enhance the production and sales of the Group's tropical, subtropical and temperate processed fruit products and specialty beverages.



# Management Discussion and Analysis

## Research & Development and Innovation

Following the success of the first drink series launched under the Group's own brand "享派Shiok Party", the Group successfully launched a new series of "享派Shiok Party" fresh fruit sports beverages in the second quarter of this year, which fully upgraded the "享派Shiok Party" products in terms of flavour, taste and packaging and has become the first sports beverage product in the market that contains fruit granules. Products are made based on the theory of modern nutriology and sports medicine, providing nutritional supplementation to drinkers and keeping them healthy. It is believed that the product will lead a new trend in China's fresh fruit sports beverage products, demonstrating the Group's outstanding performance in technological innovation and sustainable development.

During the period, we have been, and are continuing to, conduct research on and develop new processed fruit products and specialty beverages, in order to satisfy and suit the tastes and demands of different consumer groups, particularly the younger consumers. Various new products, including fruit enzyme beverages, are in the preparatory stage of production and sales. It is expected that those products will be launched to the market shortly, offering more diversified and innovative options for the market and consumers.

## Merger and Acquisition and Strategic Partnership

In the future, the Group will continue to look for suitable opportunities for mergers and acquisitions and strategic partnerships to bring our quality, healthy and diversified processed fruit products and specialty beverages to China and overseas markets, strengthen the Group's market competitiveness and further broaden its business territory. The Group will continue to leverage on its diversified product varieties and brand portfolio as its core business strategy, while strengthening its "cross-sector" strategic development and boosting the Group's brand effect and international reputation, which will further consolidate the Group's leading position in the market.

## Outlook

As one of the leaders in the processed fruit industry in China, the Group has been committed to its objective of "producing healthy and safe food, making happy and blissful lives". It has driven high quality development in the industry through proactive action. The Group will continue to optimize corporate governance, promote green and low-carbon production, healthy food and beverages explore more environmentally-friendly and sustainable product packaging, and achieve the goals of the Group's sustainable development.

Looking forward, the Group will continue to invest in product research, development and innovation; capture the changing market demand for specialty beverages; offer diversified and healthy specialty beverages, and snacks for consumers, striving to become a leading international food and beverage enterprise so as to give back to society and consumers in return for their support to and trust in the Group, as well as to bring sustainable and stable investment returns for our shareholders and investors in the long run.



# Management Discussion and Analysis

## Financial Review

### Revenue

During the Review Period, our revenue increased to approximately RMB355.6 million from approximately RMB328.7 million for the six months ended 30 June 2022, representing an increase of approximately RMB26.9 million or 8.2%. The Group continued to sell its processed fruit and beverage products under its own brand and on an OEM basis, and engaged in trading of fresh fruits. The increase in revenue during the Review Period was mainly attributable to the increase in the sales of our own brand products of approximately RMB48.8 million.

Breakdown of the revenue by business segments for the six months ended 30 June 2023 and the comparative unaudited figures in 2022 is set out as follows:

	Unaudited For the six months ended 30 June			
	2023 RMB million	2022 RMB million	Changes RMB million	%
Revenue				
Own Brand Sales	223.5	174.7	48.8	27.9
OEM Sales	121.0	134.7	(13.7)	(10.2)
Fresh Fruits Sales and others	11.1	19.3	(8.2)	(42.5)
<b>Total</b>	<b>355.6</b>	<b>328.7</b>	<b>26.9</b>	<b>8.2</b>

During the Review Period, revenue from our sales of processed fruits and beverage products under our own brand accounted for 62.9% (2022: 53.1%) of the total revenue and represented the largest business segment of the Group. Our own brand sales increased from approximately RMB174.7 million for the six months ended 30 June 2022 to approximately RMB223.5 million for the six months ended 30 June 2023, representing an increase of approximately RMB48.8 million or 27.9%. The increase was contributed by the increase in sales from both processed fruit and speciality beverage products.

Revenue from sales of processed fruit products on an OEM basis continued to contribute a significant portion of the total revenue of the Group and represented 34.0% (2022: 41.0%) of the total revenue during the Review Period. Our processed fruit products are mainly sold to international and well-known brand owners either by the Group directly to overseas brand owners or trading entities, or through local import and export entities based in the PRC. During the Review Period, revenue from OEM sales decreased by approximately RMB13.7 million or 10.2% from approximately RMB134.7 million for the six months ended 30 June 2022 to approximately RMB121.0 million for the six months ended 30 June 2023. The decrease was mainly due to the slowdown of global economy and weak demand from overseas customers.

We continued to trade a small portion of our fresh fruits to fresh fruits wholesalers during the Review Period. Revenue contributed by fresh fruit sales and others represented 3.1% of the total revenue for the six months ended 30 June 2023 (2022: 5.9%). Revenue from fresh fruit sales and others during the Review Period decreased by approximately RMB8.2 million or 42.5% to approximately RMB11.1 million. The decrease was mainly due to the decrease in fresh fruit sales and the reduction in the supply of fresh fruit raw materials that can be resold.



# Management Discussion and Analysis

## Gross profit and gross profit margin

	Unaudited For the six months ended 30 June			
	2023 RMB million	2022 RMB million	Changes RMB million	%
Gross profit/(loss)				
Own Brand Sales	69.0	47.9	21.1	44.1
OEM Sales	35.7	36.7	(1.0)	(2.7)
Fresh Fruits Sales and others	(4.9)	2.6	(7.5)	(288.5)
<b>Total gross profit</b>	<b>99.8</b>	<b>87.2</b>	<b>12.6</b>	<b>14.4</b>

Gross profit for the six months ended 30 June 2023 increased to approximately RMB99.8 million from approximately RMB87.2 million for the six months ended 30 June 2022, representing a period-on-period increase of RMB12.6 million, or 14.4%. The increase was mainly due to the increase in revenue from own brand sales which was partially reduced by the adjustments on rebates on own brand products in the fresh fruit sales and others.

	Unaudited For the six months ended 30 June	
	2023	2022
Gross profit/(loss) margin		
Own Brand Sales	30.9%	27.4%
OEM Sales	29.5%	27.2%
Fresh Fruits Sales and others	(44.1)%	13.5%
<b>Overall gross profit margin</b>	<b>28.1%</b>	<b>26.5%</b>

During the Review Period, the overall gross profit margin increased from 26.5% for the six months ended 30 June 2022 to 28.1% for the six months ended 30 June 2023. The increase in the overall gross margin was mainly due to change in product mix and increase in average selling price of processed fruit products.

## Selling and distribution expenses

Selling and distribution expenses mainly include the transportation and delivery costs, promotion and advertising expenses, and salary and related staff costs from sales and marketing department. For the six months ended 30 June 2023, the selling and distribution expenses increased from approximately RMB4.7 million for the six months ended 30 June 2022 to approximately RMB8.8 million, representing a period-on-period increase of approximately RMB4.1 million, or 87.2%. The increase was mainly due to the increase in promotion and advertising expenses, and various brand building events held during the Review Period.

## Research and development expenses

Research and development expenses mainly include raw materials, staff costs and overhead expenses related to the R&D activities. The amount of research and development expenses increased from RMB10.8 million for the six months ended 30 June 2022 to RMB12.0 million for the six months ended 30 June 2023, representing a period-on-period increase of approximately RMB1.2 million, or 11.1%.





# Management Discussion and Analysis

## General and administrative expenses

General and administrative expenses mainly include salary expenses and related staff costs for management and administrative departments, professional fees, depreciation and amortisation, foreign exchange differences, and various taxes with regard to the use of land and buildings. The amount of general and administrative expenses increased from RMB16.6 million for the six months ended 30 June 2022 to RMB26.3 million for the six months ended 30 June 2023, representing a period-on-period increase of approximately RMB9.7 million, or 58.4%.

Without taking into account the effect of exchange difference during the Review Period, general and administrative expenses decreased by approximately 19.5% or RMB3.9 million for the six months ended 30 June 2023, which was mainly due to the decrease in professional fees during the Review Period.

## Income tax expenses

Income tax expenses represent mainly the PRC enterprise income tax payable by our PRC subsidiaries. For the six months ended 30 June 2023, our income tax expenses increased by RMB9.5 million, or approximately 92.2%, to RMB19.8 million from RMB10.3 million for the six months ended 30 June 2022. The increase in the income tax expenses was primarily due to the increase in our assessable income in the PRC.

## Net profit and net profit margin

During the Review Period, the net profit of the Group increased from approximately RMB53.3 million for the six months ended 30 June 2022 to approximately RMB143.0 million for the six months ended 30 June 2023, representing a period-on-period increase of approximately RMB89.7 million or 168.3%. The increase was attributable to other gain in relation to the recovery of loss on deconsolidation recorded for the Review Period. The net profit margin for the Review Period was 40.2% (2022: 16.2%).

## Liquidity, financial resources and capital resources

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

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

	As at 30 June 2023	As at 31 December 2022
Gearing ratio (%)	6.91%	6.64%
Current ratio	3.37	3.49
Cash and cash equivalent (RMB million)	691.0	659.6
Net current assets (RMB million)	660.2	586.5
Quick ratio	3.20	3.33

The gearing ratio of the Group as at 30 June 2023 was 6.91% (31 December 2022: 6.64%). Gearing ratio was calculated based on total debts divided by total equity. The amount of total debts was calculated by aggregating the bank borrowings and 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 2023 was 3.37 (31 December 2022: 3.49).



# Management Discussion and Analysis

As at 30 June 2023, our cash and cash equivalents amounted to approximately RMB691.0 million (31 December 2022: RMB659.6 million). Our net current assets was approximately RMB660.2 million as at 30 June 2023, as compared to approximately RMB586.5 million as at 31 December 2022.

The quick ratio (calculated based on total current assets (excluding inventory) divided by total current liabilities) of the Group as at 30 June 2023 was 3.20 (31 December 2022: 3.33). With stable cash inflows generated in the daily business operation, the Group has sufficient financial resources for potential future expansion.

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

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

## Capital structure

The Group's total equity and liabilities amounted to approximately RMB1,226.6 million and RMB290.8 million, respectively as at 30 June 2023 (31 December 2022: RMB1,129.5 million and RMB243.0 million).

## Bank borrowings, and net finance income

As at 30 June 2023, the total amount of interest-bearing bank borrowings was approximately RMB84.8 million (31 December 2022: RMB75.0 million).

Net finance income of the Group represents finance income less finance costs. Net finance income decreased from approximately RMB8.3 million for the six months ended 30 June 2022 to approximately RMB2.9 million for the six months ended 30 June 2023, representing a decrease of approximately RMB5.4 million or 65.1%. The decrease was mainly due to the decrease in interest income from the bank deposits and decrease in finance costs in relation to interest capitalisation on assets.

## Pledged assets

The Group has pledged its right-of-use assets and buildings as collaterals for the bank borrowings. As at 30 June 2023, the net book value of pledged right-of-use assets and buildings amounted to approximately RMB108.8 million (31 December 2022: RMB76.6 million).

## Capital expenditure

During the Review Period, approximately RMB38.9 million were expended in relation to construction in progress in the Yunnan production base.

## Interest rate risk

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



# Management Discussion and Analysis

## Foreign currency exposure

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

## Human resources

As at 30 June 2023, the number of employees of the Group was 556 (31 December 2022: 494). The total staff costs, including Directors' emoluments, amounted to approximately RMB17.4 million for the Review Period (30 June 2022: approximately RMB17.3 million). The emoluments payable to the Directors are subject to their respective terms of engagement approved by the Remuneration Committee of the Company having regard to the operating results of the Group, the performance of individual Directors and comparable market statistics. The Group implements a remuneration policy which offers or has in place bonus, a share option scheme and a share award scheme with reference to the performance of the Group and individual employees. The Group also provides insurances, medical benefits and contribute to retirement funds for employees so as to sustain the competitiveness of the Group.

## Commitments and contingent liabilities

As at 30 June 2023, 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 2023 amounted to approximately RMB200.1 million (31 December 2022: RMB4.9 million).

## Material acquisitions and disposals

On 20 February 2023, the joint liquidators of Strong Won Investment Hong Kong Limited ("Strong Won HK") (as agent of Strong Won HK) and Shandong Jinshuntai Agricultural Technology Company Limited ("Shandong Jinshuntai") entered into a sale and purchase agreement in relation to the entire issued share capital in Tiantong Food (Yichang) Limited (the financial results of which have already been deconsolidated from the Group's financial statements with effect from 1 January 2021) for a cash consideration of RMB90 million. Completion took place on the same day upon signing of the sale and purchase agreement. For further details, please refer to the announcement of the Company dated 21 February 2023.

Save as disclosed above and up to the date of this report, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.



# Auditor's Independent Review Report



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

### **Introduction**

We have reviewed the interim financial information set out on pages 12 to 29, 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 2023 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".

#### **Elite Partners CPA Limited**

Certified Public Accountants  
10/F., 8 Observatory Road  
Tsim Sha Tsui,  
Kowloon, Hong Kong

Hong Kong, 30 August 2023





# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Notes	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	5	355,570	328,741
Cost of sales	8	(255,739)	(241,546)
<b>Gross profit</b>		<b>99,831</b>	87,195
Other income, net	5	524	167
Other gains, net	5	106,481	–
Selling and distribution expenses	8	(8,758)	(4,714)
Research and development expenses	8	(12,006)	(10,811)
General and administrative expenses	8	(26,267)	(16,579)
<b>Operating profit</b>		<b>159,805</b>	55,258
Finance income	6	6,202	8,311
Finance costs	6	(3,303)	27
<b>Finance income – net</b>	6	<b>2,899</b>	8,338
<b>Profit before income tax</b>		<b>162,704</b>	63,596
Income tax expense	7	(19,751)	(10,255)
<b>Profit and total comprehensive income, net of tax for the period</b>		<b>142,953</b>	53,341
<b>Profit and total comprehensive income attributable to equity holders of the Company for the period</b>		<b>142,953</b>	53,341
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in RMB dollar)			
– Basic and diluted earnings per share	10	0.14	0.05

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 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		124,225	125,976
Property, plant and equipment	11	328,875	298,837
Investment properties	12	29,700	29,800
Prepayments	13	96,000	96,075
<b>Total non-current assets</b>		<b>578,800</b>	550,688
<b>Current assets</b>			
Inventories		47,358	39,063
Financial instrument at fair value	5	16,581	–
Trade receivables, prepayments and other receivables	13	183,732	123,117
Cash and cash equivalents		690,991	659,630
<b>Total current assets</b>		<b>938,662</b>	821,810
<b>Total assets</b>		<b>1,517,462</b>	1,372,498
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the Company			
Share capital	17	113,080	158,929
Reserves	19	1,113,565	970,612
<b>Total equity</b>		<b>1,226,645</b>	1,129,541



# Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2023

	<i>Notes</i>	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>8,228</b>	7,633
Bank borrowings	16	<b>4,078</b>	–
<b>Total non-current liabilities</b>		<b>12,306</b>	7,633
<b>Current liabilities</b>			
Trade payables	14	<b>64,723</b>	10,616
Accruals and other payables	15	<b>28,929</b>	25,259
Amount due to a substantial shareholder	22	<b>38,921</b>	116,649
Bank borrowings	16	<b>80,736</b>	75,011
Lease liabilities		<b>138</b>	322
Dividend payable	9	<b>45,849</b>	–
Current income tax liabilities		<b>19,215</b>	7,467
<b>Total current liabilities</b>		<b>278,511</b>	235,324
<b>Total equity and liabilities</b>		<b>1,517,462</b>	1,372,498

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 2023

	Attributable to equity holders of the Company			
	Reserves (Note 19)			
	Share capital RMB'000	Shares held under share award scheme RMB'000	Other reserves RMB'000	Total equity RMB'000
Balance at 1 January 2023	158,929	(2,080)	972,692	1,129,541
<b>Comprehensive income</b>				
Profit for the period	–	–	142,953	142,953
<b>Total comprehensive income for the period</b>	–	–	142,953	142,953
Dividend declared (Note 9)	(45,849)	–	–	(45,849)
<b>Balance at 30 June 2023 (Unaudited)</b>	<b>113,080</b>	<b>(2,080)</b>	<b>1,115,645</b>	<b>1,226,645</b>

For the six months ended 30 June 2022

	Attributable to equity holders of the Company			
	Reserves (Note 19)			
	Share capital RMB'000	Shares held under share award scheme RMB'000	Other reserves RMB'000	Total equity RMB'000
Balance at 1 January 2022	158,929	(2,080)	876,088	1,032,937
<b>Comprehensive income</b>				
Profit for the period	–	–	53,341	53,341
<b>Total comprehensive income for the period</b>	–	–	53,341	53,341
<b>Balance at 30 June 2022 (Unaudited)</b>	<b>158,929</b>	<b>(2,080)</b>	<b>929,429</b>	<b>1,086,278</b>

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 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	62,821	90,479
Interest paid	(1,609)	(1,803)
Income tax paid	(7,406)	(4,771)
Net cash generated from operating activities	53,806	83,905
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(38,878)	(7,830)
Proceeds from the sale of Yichang Tiantong Group (Note 5)	90,000	–
Interest received	6,202	8,311
Net cash generated from investing activities	57,324	481
<b>Cash flows from financing activities</b>		
Repayment to a substantial shareholder	(100,000)	–
Advance from a substantial shareholder	10,579	7,046
Proceeds from bank borrowings	70,000	70,000
Repayments of bank borrowings	(60,343)	(87,379)
Principal element of lease payments	(200)	(210)
Net cash used in financing activities	(79,964)	(10,543)
<b>Net increase in cash and cash equivalents</b>	<b>31,166</b>	<b>73,843</b>
Cash and cash equivalents at beginning of the period	659,630	490,106
Exchange difference	195	1,998
<b>Cash and cash equivalents at end of the period</b>	<b>690,991</b>	<b>565,947</b>

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



# Notes to the Condensed Consolidated Interim Financial Information

## 1. General information

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

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

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

## 2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and has been prepared under the historical cost convention as modified by the valuation of investment properties, which is stated as fair value.

## 3. Adoption of new and revised Hong Kong financial reporting standards

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise HKRSs; HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not early applied the new HKFRSs that have been issued but not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs, but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of financial position.

## 4. Segment information

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

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

The Company is domiciled in BVI while the Group operates its business in the People’s Republic of China (“PRC”). For the six months ended 30 June 2023, the Group’s revenue of approximately RMB342,419,000 (for the six months ended 30 June 2022: approximately RMB311,305,000) was generated from domestic and overseas customers which are based in the PRC and the Group’s revenue of approximately RMB13,151,000 (for the six months ended 30 June 2022: approximately RMB17,436,000) was generated from direct sales to overseas customers.



# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 4. Segment information (Continued)

### Segment assets and liabilities

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

### Information about major customers

No single customer contributed over 10% of the Group's total revenue for the six months ended 30 June 2023 (2022: Nil).

## 5. Revenue, other income and other gains, net

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

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>Revenue recognised at a point in time</b>		
Domestic sales	342,419	311,305
Direct overseas sales	13,151	17,436
<b>Total revenue</b>	<b>355,570</b>	328,741
<b>Other income, net</b>		
Government subsidies	–	76
Rental income ( <i>Note 12</i> )	480	91
Service charge income	151	–
Sundry expenses	(107)	–
	<b>524</b>	167
<b>Other gains, net</b>		
Recovery of loss on deconsolidation ( <i>Note</i> )	106,581	–
Fair value changes on investment properties ( <i>Note 12</i> )	(100)	–
	<b>106,481</b>	–

*Note:*

During the six months period ended 30 June 2023, the joint liquidators of Strong Won Investment Hong Kong Limited ("Strong Won HK") (as agent of Strong Won HK) and Shandong Jinshuntai Agricultural Technology Company Limited (山東金順泰農業科技有限公司) ("Shandong Jinshuntai") entered into a sale and purchase agreement on 20 February 2023 in relation to the entire issued share capital in Tiantong Food (Yichang) Limited ("Tiantong Yichang") (the financial results of which have already been deconsolidated from the Group's financial statement in 2021) for a cash consideration of RMB90,000,000. Completion took place on the same day upon signing of the sale and purchase agreement. Upon completion, Strong Won HK ceases to have any interest in Tiantong Yichang. Details are set out in the announcement of the Company dated 21 February 2023. Also, the Group entered into an agreement with the former legal representative and director of Tiantong Yichang to indemnify the Group for the loss in relation to the unauthorised transaction and 6,050,000 shares of the Company was pledged for indemnifying the loss. Details are set out in the announcement of the Company dated 29 July 2022. The fair value of those shares at 30 June 2023 was approximately RMB16,581,000. Such shares were recognised as financial instrument at fair value, which is categorised into level 1 of the fair value hierarchy. Therefore, the recoverable amount from the deconsolidation of Yichang Tiantong Group was approximately RMB106,581,000.



# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 6. Finance income, net

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>Finance income</b>		
Interest income on short-term bank deposits	6,202	8,311
<b>Finance costs</b>		
Interest expenses on bank borrowings	(1,603)	(1,790)
Interest expenses paid to a substantial shareholder	(1,694)	(424)
Interest expenses on lease liabilities	(6)	(13)
Less: amount capitalised on qualifying assets ( <i>Note</i> )	–	2,254
	(3,303)	27
	<b>2,899</b>	<b>8,338</b>

*Note:*

During the six months period ended 30 June 2023, the Group has capitalised borrowing costs amounting to RMB Nil (2022: RMB2,254,000) on qualifying assets. Borrowing costs were capitalised at the weighted averaged rate of its general borrowing of 3.34% per annum.

## 7. Income tax expense

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

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

PRC corporate income tax has been provided at the rate of 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC corporate income tax purpose. Shandong Tiantong Food Co., Ltd., one of the subsidiaries of the Group, has been approved as High and New Technology Enterprise and is entitled to a preferential corporate income tax rate of 15% for the period from 28 November 2019 to 27 November 2022 and further extended from 12 December 2022 to 11 December 2025.

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 Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% (six months ended 30 June 2022: 5%). The Group is therefore liable for withholding taxes on any dividends distributable by its subsidiaries established in the Mainland China.

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





# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 7. Income tax expense (Continued)

As at 30 June 2023, deferred tax liabilities related to the undistributed profit of the Group's subsidiaries in the PRC amounted to approximately RMB8,228,000 (31 December 2022: approximately RMB7,633,000) has been recognised in the consolidated statement of financial position.

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

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>Current income tax</b>		
PRC corporate income tax	10,156	9,685
<b>Withholding tax relating to PRC subsidiaries</b>		
Provision for the period	9,595	570

## 8. Profit for the year

The Group's profit for the year is stated after charging/(crediting) the following:

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Auditors' remuneration	1,000	1,460
Cost of inventories sold	238,781	224,772
Depreciation of property, plant and equipment	8,912	8,214
Depreciation of right-of-use assets	1,750	1,036
Foreign exchange loss/(gain)	10,157	(3,371)
Land taxes, surcharges and other taxes	909	1,066
Employee benefit expenses (including directors' emoluments)	17,388	17,310

## 9. Dividends

On 29 June 2023, the shareholders of the Company approved a final dividend of in respect of the year ended 31 December 2022 of approximately RMB45.8 million, representing HK\$0.05 per ordinary share, at the annual general meeting of the Company. Such final dividend had not yet been paid as at 30 June 2023.

The Board has resolved not to declare any interim dividend for six months ended 30 June 2023 (2022: same).



# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 10. Earnings per share

### Basic and diluted

	Unaudited	
	Six months ended 30 June	
	2023	2022
Profit attributable to equity holders of the Company (RMB'000)	142,953	53,341
Weighted average number of ordinary shares in issue (thousand)	990,512	990,512
Less: weighted average of shares held under share award scheme (thousand)	(2,216)	(2,216)
	988,296	988,296
Basic and diluted earnings per share (RMB dollar)	0.14	0.05

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares after adjusting for weighted average shares held under share award scheme.

There is no potential dilutive share issued during both periods.

## 11. Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired property, plant and equipment and construction in progress of approximately RMB38,953,000 (For the six months ended 30 June 2022: RMB7,830,000).

## 12. Investment properties

	As at	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
As at 1 January	29,800	30,100
Fair value change	(100)	(300)
	29,700	29,800

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

	Unaudited	
	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Rental income (Note 5)	480	91



# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 12. Investment properties (Continued)

### Principal investment properties

Location	Approximate gross floor area (square meter)	Category of the lease term
Northside of Fenghuang Main Street, Westside of Wenquan Road, Linyi City, Shandong Province, the PRC	5,917 m <sup>2</sup> (As at 31 December 2022: 5,917 m <sup>2</sup> )	Land use rights for a term expiring on 18 April 2057

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

#### *Valuation process and technique used to determine level 3 fair values*

The Group's investment properties were valued on an open market value basis. For all investment properties, their current use equates to the highest and best use. Fair value of investment properties is generally derived using the direct comparison method. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration. There was no change to the valuation techniques during the periods.

## 13. Trade receivables, prepayments and other receivables

	Notes	As at	
		30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade receivables	(i)	182,601	118,662
Less: loss allowance of trade receivables	(ii)	(4,029)	(2,655)
Trade receivables, net		178,572	116,007
Prepayments and deposit	(iii)	98,016	100,961
Other receivables	(iii)	3,144	2,224
Total trade receivables, prepayments and other receivables		279,732	219,192
Analysed as:			
Current assets		183,732	123,117
Non-current assets		96,000	96,075
		279,732	219,192



# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 13. Trade receivables, prepayments and other receivables (Continued)

Notes:

(i) Trade receivables

The Group's credit terms granted to customers were generally ranged from 30 to 60 days (as at 31 December 2022: 30 to 60 days). The ageing analysis of the trade receivables, net of loss allowance, based on invoice date is as follows:

	As at	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Less than 30 days	98,231	39,736
31 to 60 days	79,502	76,271
61 to 90 days	414	–
91 to 180 days	422	–
181 to 365 days	3	–
	<b>178,572</b>	116,007

The carrying amount of these trade receivables approximate their fair value. The Group does not hold any collateral as security.

The trade receivables are denominated in the following currencies:

	As at	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
RMB	178,572	113,477
USD	–	2,530
	<b>178,572</b>	116,007

(ii) Impairment of trade receivables

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

(iii) Prepayments and other receivables

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





# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 14. Trade payables

	As at	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade payables	64,723	10,616

The Group's credit terms granted by suppliers generally ranged from 0 to 60 days (as at 31 December 2022: 0 to 60 days).

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

	As at	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Less than 30 days	55,632	4,266
31 to 90 days	5,206	1,723
91 to 180 days	1,276	1,993
181 to 365 days	692	2,634
Over 1 year	1,917	–
	64,723	10,616

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

## 15. Accruals and other payables

	As at	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Accrued employee benefit expenses	6,909	5,783
Land taxes, surcharges and other taxes payables	4,894	4,164
Customer rebate	7,695	6,268
Others	9,431	9,044
	28,929	25,259

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



# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 16. Bank borrowings

The Group's bank borrowings were repayable as follows:

	As at	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Amounts classified as current liabilities	80,736	75,011
Amounts classified as non-current liabilities	4,078	–
	<b>84,814</b>	75,011
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Carrying amounts repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	80,736	75,011
More than one year but not exceeding two years	765	–
Over two years but not exceeding five years	3,313	–
	<b>84,814</b>	75,011

As at 30 June 2023, the net book value of right-of-use assets and buildings are approximately RMB64,308,000 (2022: RMB64,310,000) and RMB44,457,000 (2022: RMB12,269,000) respectively, were pledged to banks for securing the Group's general banking facilities.

As at 30 June 2023, included in bank borrowings, amounting to RMB4,813,000 (2022: RMB5,011,000) are borrowed under the Small and Medium Enterprises Financing Guarantee Scheme operated by Hong Kong Mortgage Corporation Insurance Limited. The bank borrowings were guaranteed by the directors of the Company.

## 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 shares	Share capital HK\$'000	Equivalent share capital RMB'000
At 1 January 2022 and 31 December 2022	990,512,000	209,649	158,929
Dividends paid relating to 2022	–	(49,526)	(45,849)
As at 30 June 2023	990,512,000	160,123	113,080



# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 18. Share Award Scheme

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

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

There was no Awarded Share granted, forfeited or vested for the six months ended 30 June 2023 and 2022.

The number of treasury stocks acquired and the amounts paid for the acquisitions are presented below:

	Number of shares ‘000	Amount paid RMB‘000
<b>At 1 January 2022, 30 June 2022 (Unaudited), 1 January 2023 and 30 June 2023 (Unaudited)</b>	2,216	2,080

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



# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 19. Reserves

	Shares held under share award scheme RMB'000	Merger reserve RMB'000	Revaluation reserve RMB'000	Retained earnings RMB'000 (Note)	Total RMB'000
<b>At 1 January 2023</b>	(2,080)	(3,100)	303	975,489	970,612
Profit for the period	–	–	–	142,953	142,953
<b>At 30 June 2023 (Unaudited)</b>	(2,080)	(3,100)	303	1,118,442	1,113,565
<b>At 1 January 2022</b>	(2,080)	(3,100)	303	878,885	874,008
Profit for the period	–	–	–	53,341	53,341
<b>At 30 June 2022 (Unaudited)</b>	(2,080)	(3,100)	303	932,226	927,349

Note:

Retained earnings as of period end include the statutory surplus reserve of the PRC subsidiaries amounting to approximately RMB105,910,000 (as at 31 December 2022: approximately RMB105,910,000).

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

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

## 20. Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2023 and 31 December 2022.



# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 21. Commitments

### (i) Lease commitments

The Group leases its investment properties (Note 12) under operating lease arrangements with leases generally negotiated for terms less than one year. The terms of the leases generally also require the tenants to pay security deposits and may provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2023, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 1 year	247	325

### (ii) Capital commitments

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

	As at	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Property, plant and equipment	200,076	4,561

## 22. Related party transactions

### (i) Related party

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

Name of related party	Relationship with the Group
Wealthy Active Limited	Substantial Shareholder





# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 22. Related party transactions (Continued)

### (ii) Balance with a related party

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

	As at	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Amount due to a substantial shareholder Wealthy Active Limited	38,921	116,649

As at 30 June 2023, amount due to a substantial shareholder was unsecured, with interest at Hong Kong Interbank Offered Rate and repayable on demand (as at 31 December 2022: same). The carrying amount of amount due to a substantial shareholder approximates its fair value and is denominated in HKD.

### (iii) Transaction with a related party

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Interest paid or payable to a substantial shareholder Wealthy Active Limited	1,694	424

The transactions were conducted in the normal course of business at prices and terms as agreed between the Group and the related parties.

### (iv) 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:

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Basic salaries, allowances and benefits in kind	2,411	1,745
Social security costs	69	99
Defined contribution – MPF	15	15
	2,495	1,859



# Other Information

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

During the six months ended 30 June 2023, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## 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 2023, 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	198,180,260 (Note 1)	20.01%
Ms. Chu Yinghong	Interest of spouse	198,180,260 (Note 2)	20.01%
Mr. Yeung Wan Yiu	Interest of a controlled corporation	273,886,740 (Note 3)	27.65%

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 Rainbow Lead Ventures Limited and is wholly-owned by Mr. Yeung Wan Yiu. Mr. Yeung Wan Yiu is deemed to be interested in these shares under the SFO.

Save as disclosed above, as at 30 June 2023, none of the Directors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



# Other Information

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

As at 30 June 2023, so far as is known to the Directors or chief executive of the Company, the following persons or corporations other than Directors or chief executive of the Company, who had an interest or short position of 5% of more in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept under section 336 of the SFO, were as follows:

### Long Position in the Shares of the Company

Name of Shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of total issued share capital
Rainbow Lead Ventures Limited (Note 1)	Beneficial owner	273,886,740	27.65%
Wealthy Active Limited (Note 2)	Beneficial owner	198,180,260	20.01%
Sino Red Limited (Note 3)	Beneficial owner	70,515,000	7.12%
Yin Xiaolong	Beneficial owner	81,316,000	8.21%
Wealthy Maker Limited (Note 4)	Beneficial owner	49,530,000	5.00%

#### Notes:

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

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 2023.



# Other Information

## Share Option Scheme

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

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

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

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

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the global offering, being 100,000,000 Shares. The number of options available for grant under the Share Option Scheme as at 1 January 2023 and 30 June 2023 was 86,300,000.

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.

As at 1 January 2023 and 30 June 2023, there was no outstanding share options. During the Review Period, no share options were granted, lapsed, exercised or outstanding.



# Other Information

## Share Award Scheme

On 4 September 2018, 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"). According to the Share Award Scheme, the Board may from time to time instruct the trustee of the scheme to acquire existing Shares from the market out of cash paid by the Company and award the same to selected participants. As at 1 January 2023 and 30 June 2023, there was no unvested awards and the number of awards available for grant under the Share Award Scheme was 97,746,200. During the Review Period, no award share was granted under the Share Award Scheme.

Save for the Share Option Scheme and the Share Award Scheme, the Company has not adopted any other share scheme. Given that no share options nor share awards have been granted during the Review Period, the fraction of the number of Shares that may be issued in respect of options and awards granted during the Review Period divided by weighted average number of Shares in issue for the Review Period was nil.

## Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (2022: Nil).

## Significant Investments

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

## Compliance with the Corporate Governance Code

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

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

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

Save for the aforesaid, the Board is of the view that the Company has complied with the code provisions as set out in Part 2 of 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"). In response to a specific enquiry by the Company, all Directors confirmed that they have complied with the requirements of the Model Code during the Review Period and up to the date of this 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. Shiu Shu Ming (chairman), Mr. Liang Zhongkang and Prof. Ye Xingqian.

## Review of Interim Results

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 have been reviewed by the Audit Committee and the Group's external auditor, Elite Partners in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Based on this review and discussions with the management, the Audit Committee was satisfied that the unaudited condensed consolidated interim financial information was prepared in accordance with the applicable accounting standards and fairly presents the Group's financial position and results for the six months ended 30 June 2023.

## Subsequent Change after 30 June 2023

There were no significant changes in the Group's financial position or the information disclosed in this report subsequent to 30 June 2023 and up to the date of this report.

## 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, 30 August 2023

