

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 2022

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Corporate Information

Board of Directors

Executive Directors

Mr. Yang Ziyuan (*Chairman and Chief Executive Officer*)
Mr. Sun Xingyu
Mr. Yeung Wan Yiu (appointed on 21 April 2022)

Non-executive Directors

Ms. Chu Yinghong
Mr. Wong Yim Pan

Independent Non-executive Directors

Mr. Liang Zhongkang
Mr. Shiu Shu Ming (appointed on 6 April 2022)
Prof. Ye Xingqian (appointed on 18 June 2022)
Mr. O'Yang Wiley (resigned on 12 May 2022)
Prof. Lu Yuanping (resigned on 18 June 2022)

Audit Committee

Mr. Shiu Shu Ming (*Chairman*) (appointed on 6 April 2022)
Mr. Liang Zhongkang
Prof. Ye Xingqian (appointed on 18 June 2022)
Mr. O'Yang Wiley (*Chairman*) (resigned on 23 April 2022)
Prof. Lu Yuanping (resigned on 18 June 2022)

Nomination Committee

Mr. Yang Ziyuan (*Chairman*)
Mr. Liang Zhongkang
Mr. Shiu Shu Ming (appointed on 6 April 2022)
Mr. Ye Xingqian (appointed on 18 June 2022)
Mr. O'Yang Wiley (resigned on 23 April 2022)
Prof. Lu Yuanping (resigned on 18 June 2022)

Remuneration Committee

Mr. Liang Zhongkang (*Chairman*)
Mr. Yang Ziyuan
Mr. Shiu Shu Ming (appointed on 6 April 2022)
Prof. Ye Xingqian (appointed on 18 June 2022)
Mr. O'Yang Wiley (resigned on 23 April 2022)
Prof. Lu Yuanping (resigned on 18 June 2022)

Strategic Development Committee

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

For the six months ended 30 June 2022 (the “Review Period”), the fundamentals of the Group remained stable and healthy with the production and operation on the right track despite the on-going challenges. The Group further expanded its scale of operation to enhance the popularity and awareness of its own brand. The market responded positively towards the Group’s natural and quality food and beverage products as well as diversified packaging and promotional strategies. Meanwhile, the Group proceeded to the release of new production capacity to drive the long-term development of the enterprise. Despite the difficult market environment during the Review Period, the Group recorded revenue, gross profit and net profit of RMB328.7 million, RMB87.2 million and RMB53.3 million respectively. In addition, the Group was awarded several national accolades, continued to improve its governance and internal control and influential power in the industry, and made constant contribution to the high quality development of the industry.

Own Brand and OEM Business

During the Review Period, as an important development tactic, the Group continued to focus on the research and development, manufacturing and sales of diversified fruit products and specialty beverages with fashionable images to meet the rapidly increasing demand of customers for healthy food and products. The Group’s own brands, “天同時代 (Tiantong Times)”, “繽果時代 (Bingo Time)” and “果小懶 (fruit zz)”, kept launching new products to cater for consumers’ pursuit of novelty of fruit products.

Meanwhile, the Group’s own brand “享派 ShioK Party” vitamin sports drink, centred around sports and healthiness, offered another healthy and safe option for consumers and gained high popularity among distributors and customers in the market. In addition, the Group’s proprietary developed chunky fruit beverage “妖果季”, containing fruit chunks, fruit juice and vitamins, also attracted attention from the market and distributors, and more flavors will be launched gradually.

In recent years, with the vigorous development of the e-commerce industry, the demand for the Group’s products in the vast rural market has been continuously released, and it is expected that the scale of online fruit retail users will continue to expand in the future. The Group also organised offline and online promotional activities with different themes, and was actively involved in the sales on popular online shopping platforms and short video live streaming platforms. With the in-depth expansion of the Group’s marketing layout, products under its own brands were sold in 27 provinces, direct municipalities and autonomous regions across China, with a sales network covering numerous renowned chain supermarkets and stores.

The OEM business continued to contribute stable revenue to the Group. At present, the relevant business scope covers renowned international brands in those regions across the five continents, including the United Kingdom, Europe, Canada, the United States, Australia, New Zealand, Southeast Asia and Japan. As economies around the world recover and consumer sentiment and demand increase, the demand for various processed fruit products made in China has increased. The Group will continue to explore more business partnership opportunities around the world to further promote the sustainable development of our OEM business.

Trading of Fresh Fruits and Others

The Group continued to develop domestic and cross-border fresh fruit sales channels, while looking for regional business partners of reputable Chinese brands associated with fresh fruits, in order to promote more sales, processing and trading of fresh fruits from different origins of both domestic and overseas markets, and also bring a richer and more diversified variety of quality fruits and processed fruits to the consumers at large.

Management Discussion and Analysis

Production Capacity Expansion

The construction of the Group's integrated production base located in Honghe Prefecture, Yunnan Province, the PRC has commenced in the first half of 2022, with a site area of over 130,000 square metres in Mile Green Food Processing Park of Honghe Prefecture and total designed annual production capacity of 90,000 tonnes. Facilities such as a research centre, processing centre, grading centre, sales and trading centre, and storage and logistics centre will be established, covering the production, processing and sales of products including canned fruits and vegetables, specialty beverages and jellies. With the goal of building green food brand and establishing a demonstration production base, it will leverage on the strengths of Yunnan Province including climate diversity, superior location, good natural ecological environment and abundant specialty fruits to introduce more fruit varieties sourced from tropical and sub-tropical climate regions, while also benefit from tariff concessions of the Regional Comprehensive Economic Partnership to facilitate the reduction in the costs of raw materials procured from the surrounding areas.

Research & Development and Innovation

As a national level high-tech enterprise, and adhering to the vision of promoting corporate development with innovative technology, the Group has been accelerating breakthroughs in production technology, and constantly improving production facilities to enhance automation and production efficiency. In addition, the Group has actively invested in the development and improvement of various processed fruit products and specialty beverages offering, in order to expand production categories and diversify brand portfolio, while reducing average production cost and continuously achieving deseasonalisation, with the commitment to producing products in different categories around the clock for the whole year.

Merger and Acquisition and Strategic Partnership

As domestic and international economies have gradually returned to the track of growth from the new normal of pandemic, the Group is actively seeking opportunities for mergers and acquisitions and strategic partnerships to enhance our existing business, expand our business network, explore new technology, new products and new markets, and strengthen the Group's overall competitiveness.

Outlook

Looking ahead, as the pandemic continues, it is expected that, under the orderly pandemic prevention and control measures of China, the domestic economic growth will continue to remain stable in the second half of the year and take advantages of its vast market and potential in domestic demand. With the trend of increasing fruit consumption in China, the market demand of specialty beverages and processed fruit products will continue to grow. The Group will actively introduce more diversified specialty beverages and snack food to satisfy the demand of customers, and cater to younger generation by integrating elements that highlight personalized lifestyle, portability and environmental protection.

In the future, the Group will thoroughly implement the development concept driven by innovation to promote the R&D innovation of the products, and further improve the food production techniques. The Group will also introduce high-quality products with different categories and flavors and strengthen the food safety management system to further expand the domestic and overseas markets. Meanwhile, in view of the prospect that the scale of online fruit retail users continues to expand in the future, the Group will boost its transformation to step into the new retailing business and drive its progress through innovation. The Group will also actively expand the online and offline markets and focus on R&D of high-quality products.

In addition, the new production base in Yunnan will achieve synergies with the production base in Shandong to increase the overall production capacity, and assist the Group in R&D, production and sales of temperate, subtropical and tropical processed fruit products and specialty beverages as well as the trading of fresh fruits. The Group will enrich the variety of processed fruits and fresh fruits for sale, enhance level of the industrial intelligence and expand its market coverage in China, thereby laying a solid foundation for the Group's future development, and increasing its market share in China for sustainable development.

Management Discussion and Analysis

Financial Review

Revenue

During the Review Period, our revenue decreased to approximately RMB328.7 million from approximately RMB400.9 million (restated) for the six months ended 30 June 2021, representing a decrease of approximately RMB72.2 million or 18.0%. 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 decrease in revenue during the Review Period was mainly attributable to the decrease in the sales of our own brand products of approximately RMB77.2 million.

Breakdown of the revenue by business segments for the six months ended 30 June 2022 and the comparative unaudited figures in 2021 is set out as follows:

	Unaudited For the six months ended 30 June			
	2022 RMB million	2021 (Restated) RMB million	Changes	
			RMB million	%
Revenue				
Own Brand Sales	174.7	251.9	(77.2)	(30.6)
OEM Sales	134.7	125.3	9.4	7.5
Fresh Fruits Sales and others	19.3	23.7	(4.4)	(18.6)
Total	328.7	400.9	(72.2)	(18.0)

During the Review Period, revenue from our sales of processed fruits and beverage products under our own brand accounted for 53.1% (2021: 62.8% (restated)) of the total revenue and represented the largest business segment of the Group. Our own brand sales decreased from approximately RMB251.9 million (restated) for the six months ended 30 June 2021 to approximately RMB174.7 million for the six months ended 30 June 2022, representing a decrease of approximately RMB77.2 million or 30.6%. During the Review Period, the COVID-19 pandemic caused temporary lock-down in a number of cities and counties in the PRC. The consumption, commercial and tourism activities in these cities and counties were slow down. Our sales in both processed fruit and beverage products dropped.

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 41.0% (2021: 31.3% (restated)) of the total revenue during the Review Period. Our processed fruit products are mainly sold to international and well-known brand owners either by the Group directly to overseas brand owners or trading entities, or through local import and export entities based in the PRC. During the Review Period, revenue from OEM sales increased by RMB9.4 million or 7.5% from approximately RMB125.3 million (restated) for the six months ended 30 June 2021 to approximately RMB134.7 million for the six months ended 30 June 2022. During the Review Period, many overseas countries relaxed the control measures in respect of the pandemic and the import demand for processed fruit products has increased.

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 5.9% of the total revenue for the six months ended 30 June 2022 (2021: 5.9% (restated)). Revenue from fresh fruit sales and others during the Review Period decreased by RMB4.4 million or 18.6% to approximately RMB19.3 million. The drop in revenue of fresh fruits sales followed the decrease in revenue from the sales of processed fruit products.

Management Discussion and Analysis

Gross profit and gross profit margin

	Unaudited For the six months ended 30 June		Changes	
	2022 RMB million	2021 (Restated) RMB million	RMB million	%
Gross profit				
Own Brand Sales	47.9	74.2	(26.3)	(35.4)
OEM Sales	36.7	32.5	4.2	12.9
Fresh Fruits Sales and others	2.6	3.7	(1.1)	(29.7)
Total gross profit	87.2	110.4	(23.2)	(21.0)

Gross profit for the six months ended 30 June 2022 decreased to approximately RMB87.2 million from approximately RMB110.4 million (restated) for the six months ended 30 June 2021, representing a period-on-period decrease of RMB23.2 million, or 21.0%. The decrease was mainly due to the decrease in revenue from own brand sales.

	Unaudited For the six months ended 30 June	
	2022	2021 (Restated)
Gross profit margin		
Own Brand Sales	27.4%	29.5%
OEM Sales	27.2%	25.9%
Fresh Fruits Sales and others	13.5%	15.6%
Overall gross profit margin	26.5%	27.5%

During the Review Period, the overall gross profit margin slightly decreased from 27.5% (restated) for the six months ended 30 June 2021 to 26.5% for the six months ended 30 June 2022. The decrease in overall gross margin was mainly due to the drop in gross margin of own brand sales which was partially offset by the increase in gross margin of OEM sales.

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 2022, the selling and distribution expenses decreased from approximately RMB11.3 million (restated) for the six months ended 30 June 2021 to approximately RMB4.7 million, representing a period-on-period decrease of approximately RMB6.6 million, or 58.4%. The decrease was mainly due to the decrease in promotion and advertising expenses, and fewer marketing activities held during the Review Period.

Management Discussion and Analysis

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 RMB7.4 million (restated) for the six months ended 30 June 2021 to RMB10.8 million for the six months ended 30 June 2022, representing a period-on-period increase of approximately RMB3.4 million, or 45.9%.

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 RMB10.7 million (restated) for the six months ended 30 June 2021 to RMB16.6 million for the six months ended 30 June 2022, representing a period-on-period increase of approximately RMB5.9 million, or 55.1%. The increase was mainly due to the increase 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 2022, our income tax expenses decreased by RMB3.8 million, or approximately 27.0%, to RMB10.3 million from RMB14.1 million (restated) for the six months ended 30 June 2021. The decrease in the income tax expenses was primarily due to the decrease in our assessable income in the PRC.

Net profit/loss and net profit/loss margin

During the Review Period, the Group changed from a net loss of RMB69.2 million (restated) for the six months ended 30 June 2021 to a net profit of approximately RMB53.3 million for the six months ended 30 June 2022. The turnaround from loss into profit making position for the six months ended 30 June 2022 was attributable to the absence of one-off losses resulting from the deconsolidation of Tiantong Food (Yichang) Limited (天同食品(宜昌)有限公司) and Tiantong Food and Beverages (Yuanan) Limited (天同食品飲料(遠安)有限公司) (the “Yichang Tiantong Group”) recorded for the Review Period. The net profit margin for the Review Period was 16.2% (2021 of the net loss margin: 17.3%).

Without taking into account the losses resulting from the deconsolidation of Yichang Tiantong Group, the net profit for the six months ended 30 June 2022 would decrease by approximately RMB25.8 million or 32.6% to approximately RMB53.3 million as compared to approximately RMB79.1 million (restated) for the six months ended 30 June 2021.

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 2022	As at 31 December 2021
Gearing ratio (%)	6.92%	8.93%
Current ratio	2.93	2.85
Cash and cash equivalent (RMB million)	565.9	490.1
Net current assets (RMB million)	529.6	473.5
Quick ratio	2.71	2.56

Management Discussion and Analysis

The gearing ratio of the Group as at 30 June 2022 was 6.92% (31 December 2021: 8.93%). 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 2022 was 2.93 (31 December 2021: 2.85).

As at 30 June 2022, our cash and cash equivalents amounted to approximately RMB565.9 million (31 December 2021: RMB490.1 million). Our net current assets was approximately RMB529.6 million as at 30 June 2022, as compared to approximately RMB473.5 million as at 31 December 2021.

The quick ratio (calculated based on total current assets (excluding inventory) divided by total current liabilities) of the Group as at 30 June 2022 was 2.71 (31 December 2021: 2.56). 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 RMB1,086.3 million and RMB281.7 million, respectively as at 30 June 2022 (31 December 2021: RMB1,032.9 million and RMB262.3 million).

Bank borrowings, and net finance income

As at 30 June 2022, the total amount of interest-bearing bank borrowings was approximately RMB75.1 million (31 December 2021: RMB92.3 million).

Net finance income of the Group represents finance income less finance costs. Net finance income increased from approximately RMB7.0 million (restated) for the six months ended 30 June 2021 to approximately RMB8.3 million for the six months ended 30 June 2022, representing an increase of approximately RMB1.3 million or 18.6%.

Pledged assets

The Group has pledged its right-of-use assets and buildings as collaterals for the bank borrowings. As at 30 June 2022, the net book value of pledged right-of-use assets and buildings amounted to approximately RMB77.3 million (31 December 2021: RMB89.6 million).

Management Discussion and Analysis

Capital expenditure

During the Review Period, approximately RMB7.8 million were expended in relation to construction in progress, upgrading works and addition of facilities and machineries.

Interest rate risk

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

Foreign currency exposure

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

Human resources

As at 30 June 2022, the number of employees of the Group was 596 (31 December 2021: 670). The total staff costs, including Directors' emoluments, amounted to approximately RMB17.3 million for the Review Period (30 June 2021: approximately RMB19.1 million (restated)). 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 2022, the Group did not have 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 2022 amounted to approximately RMB4.9 million (31 December 2021: RMB4.4 million).

Material acquisitions and disposals

During the six months ended 30 June 2022 and up to the date of this report, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Note	Unaudited Six months ended 30 June	
		2022 RMB'000	2021 (Restated) RMB'000
Revenue	5	328,741	400,923
Cost of sales	8	(241,546)	(290,513)
Gross profit		87,195	110,410
Other income	5	167	2,261
Other gains, net		–	2,963
Selling and distribution expenses	8	(4,714)	(11,291)
Research and development expenses	8	(10,811)	(7,380)
General and administrative expenses	8	(16,579)	(10,726)
Loss on deconsolidation of Yichang Tiantong Group		–	(135,265)
Impairment loss on amount due from Yichang Tiantong Group		–	(13,017)
Operating profit/(loss)		55,258	(62,045)
Finance income	6	8,311	8,494
Finance costs	6	27	(1,518)
Finance income – net	6	8,338	6,976
Profit/(loss) before income tax		63,596	(55,069)
Income tax expense	7	(10,255)	(14,124)
Profit/(loss) and total comprehensive income/(expense), net of tax for the period		53,341	(69,193)
Profit and total comprehensive income/(expense) attributable to equity holders of the Company for the period		53,341	(69,193)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company for the period (expressed in RMB dollar)			
– Basic and diluted earnings/(loss) per share	10	0.05	(0.07)

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 2022

	Note	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		129,663	130,698
Property, plant and equipment	11	308,101	306,025
Investment properties	12	30,100	30,100
Prepayments	13	96,003	99,358
Total non-current assets		563,867	566,181
Current assets			
Inventories		60,306	74,451
Trade receivables, prepayments and other receivables	13	177,889	164,501
Cash and cash equivalents		565,947	490,106
Total current assets		804,142	729,058
Total assets		1,368,009	1,295,239
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	17	158,929	158,929
Reserves	18	927,349	874,008
Total equity		1,086,278	1,032,937

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2022

	<i>Note</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		128	302
Deferred tax liabilities		7,051	6,481
Total non-current liabilities		7,179	6,783
Current liabilities			
Trade payables	14	44,893	17,641
Accruals and other payables	15	29,257	34,649
Amount due to a substantial shareholder	21	113,389	104,000
Bank borrowings	16	75,131	92,286
Lease liabilities		371	347
Current income tax liabilities		11,511	6,596
Total current liabilities		274,552	255,519
Total equity and liabilities		1,368,009	1,295,239

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 2022

	Attributable to equity holders of the Company					
	Reserves (Note 18)					Total equity RMB'000
	Share capital RMB'000	Shares held under share award scheme RMB'000	Other reserves RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	
Balance at 1 January 2022	158,929	(2,080)	876,088	1,032,937	–	1,032,937
Comprehensive income						
Profit for the period	–	–	53,341	53,341	–	53,341
Total comprehensive income for the period	–	–	53,341	53,341	–	53,341
Balance at 30 June 2022 (Unaudited)	158,929	(2,080)	929,429	1,086,278	–	1,086,278

For the six months ended 30 June 2021 (restated)

	Attributable to equity holders of the Company					
	Reserves (Note 18)					Total equity RMB'000
	Share capital RMB'000	Shares held under share award scheme RMB'000	Other reserves RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	
Balance at 1 January 2021	141,685	(2,080)	877,027	1,016,632	(147)	1,016,485
Comprehensive income						
Loss for the period	–	–	(69,193)	(69,193)	–	(69,193)
Total comprehensive expense for the period	–	–	(69,193)	(69,193)	–	(69,193)
Transactions with owners						
Issuance of shares	17,244	–	–	17,244	–	17,244
Disposal of a subsidiary	–	–	–	–	147	147
Total transactions with owners	17,244	–	–	17,244	147	17,391
Balance at 30 June 2021 (Unaudited)	158,929	(2,080)	807,834	964,683	–	964,683

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 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	(Restated) RMB'000
Cash flows from operating activities		
Cash generated from operations	90,479	87,604
Interest paid	(1,803)	(1,885)
Income tax paid	(4,771)	(13,293)
Net cash generated from operating activities	83,905	72,426
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,830)	(42,587)
Prepayment for land	–	(95,367)
Proceeds from deconsolidation of Yichang Tiantong Group	–	(28,113)
Interest received	8,311	8,494
Net cash generated from/(used in) investing activities	481	(157,573)
Cash flows from financing activities		
Cash received from a substantial shareholder	7,046	–
Proceeds from bank borrowing	70,000	88,000
Repayments of bank borrowing	(87,379)	(78,120)
Principal element of lease payments	(210)	(214)
Net cash (used in)/generated from financing activities	(10,543)	9,666
Net increase/(decrease) in cash and cash equivalents	73,843	(75,481)
Cash and cash equivalents at beginning of the period	490,106	528,287
Exchange difference	1,998	(4,369)
Cash and cash equivalents at end of the period	565,947	448,437

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

Notes to the Condensed Consolidated Interim Financial Information

1. General information

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

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

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

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

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

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2022 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 2021, 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 and contingent consideration payable, which are 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 2022. 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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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 2022, the Group's revenue of approximately RMB311,305,000 (for the six months ended 30 June 2021: approximately RMB379,997,000 (restated)) was generated from domestic and overseas customers which are based in the PRC and the Group's revenue of approximately RMB17,436,000 (for the six months ended 30 June 2021: approximately RMB20,926,000 (restated)) was generated from direct sales to overseas customers.

Segment assets and liabilities

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

Information about major customers

No single customer contributed over 10% of the Group's total revenue for the six months ended 30 June 2022 (2021: Nil).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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	
	2022 RMB'000	2021 (Restated) RMB'000
Revenue recognised at a point in time		
Domestic sales	311,305	379,997
Direct overseas sales	17,436	20,926
Total revenue	328,741	400,923
Other income		
Government subsidies	76	70
Rental income (Note 12)	91	391
Service charge	–	1,800
	167	2,261
Other gains, net		
Fair value change of the contingent consideration payable	–	2,963

6. Finance income, net

	Unaudited Six months ended 30 June	
	2022 RMB'000	2021 (Restated) RMB'000
Finance income		
Interest income on short-term bank deposits	8,311	8,494
Finance costs		
Interest expenses on bank borrowings	(1,790)	(1,883)
Interest expenses paid to a substantial shareholder	(424)	(82)
Interest expenses on lease liabilities	(13)	(2)
Less: amount capitalised on qualifying assets (Note)	2,254	449
	27	(1,518)
	8,338	6,976

Note:

During the six months period ended 30 June 2022, the Group has capitalised borrowing costs amounting to RMB2,254,000 (2021: RMB449,000) on qualifying assets. Borrowing costs were capitalised at the weighted averaged rate of its general borrowing of 3.34% (2021: 3.34%) per annum.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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 2022 (six months ended 30 June 2021: Nil).

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the 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 2021: 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 on or before 2018 will not be distributed in the foreseeable future. Therefore the retained earnings before 2017 would be retained for future development of its subsidiaries in the Mainland China. The Group has recognised PRC withholding tax for the profit of its subsidiaries in the Mainland China since 2018.

As at 30 June 2022, deferred tax liabilities related to the undistributed profit of the Group's subsidiaries in the PRC amounted to approximately RMB7,051,000 (31 December 2021: approximately RMB6,481,000) 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	
	2022	2021 (Restated)
	RMB'000	RMB'000
Current income tax		
PRC corporate income tax	9,685	13,226
Withholding tax relating to PRC subsidiaries		
Provision for the period	570	898

Notes to the Condensed Consolidated Interim Financial Information (Continued)

8. Profit/(loss) for the year

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

	Unaudited Six months ended 30 June	
	2022 RMB'000	2021 (Restated) RMB'000
Auditors' remuneration	1,460	1,044
Cost of inventories sold	224,772	270,564
Depreciation of property, plant and equipment	8,214	9,678
Depreciation of right-of-use assets	1,036	861
Foreign exchange gain	(3,371)	(4,185)
Land taxes, surcharges and other taxes	1,066	2,930
Research and development expenses	10,811	7,380
Employee benefit expenses (including directors' emoluments)	17,310	19,127

9. Dividends

The Board has resolved not to declare any interim dividend for six months ended 30 June 2022 and 2021.

10. Earnings/(loss) per share attributable to owners of the Company

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of approximately RMB53,341,000 (for the six months ended 30 June 2021: loss attributable to equity holders of the Company of approximately RMB69,193,000 (restated)) and the weighted average of approximately 988,243,000 ordinary shares after adjusting for weighted average shares held under the share award scheme (for the six months ended 30 June 2021: 988,189,000 ordinary shares after adjusting for weighted average number of issuable shares of which conditions are satisfied under the contingent consideration scheme arrangement and weighted average shares held under shares award scheme).

Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to equity holders of the Company of approximately RMB53,341,000 (for the six months ended 30 June 2021: loss attributable to equity holders of the Company of approximately RMB69,625,000 (restated) after adjusting for the fair value change of the respective issuable shares under the contingent consideration scheme arrangement) and the weighted average number of ordinary shares of approximately 988,243,000 (for the six months ended 30 June 2021: 989,084,000 ordinary shares, after adjusting (1) the effect of deemed issuance of issuable shares from the beginning of the period; and (2) the number of shares that would have been issued assuming the exercise of the options less the number of shares that could have been acquired at fair value (according to the average market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

11. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired property, plant and equipment and construction in progress of approximately RMB7,830,000 (For the six months ended 30 June 2021: RMB49,567,000).

As at 30 June 2022, the net book value of buildings of approximately RMB12,096,000 (2021: RMB13,325,000), were pledged to secure bank borrowings granted to the Group (Note 16).

During the six months ended 30 June 2022, the Group has capitalised borrowing costs amounting to RMB2,254,000 on qualifying assets. Borrowing costs were capitalised at the weighted averaged rate of its general borrowing of 3.34% per annum (For the six months ended 30 June 2021: the Group has capitalised borrowing costs amounting to RMB449,000 on qualifying assets. Borrowing costs were capitalised at the weighted averaged rate of its general borrowing of 3.34% per annum).

12. Investment properties

	As at	
	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
As at 1 January	30,100	30,300
Fair value change	–	(200)
	30,100	30,100

Amounts recognised in profit or loss for investment properties

	Unaudited Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Rental income (Note 5)	91	391

Principal investment properties

Location	Approximate gross floor area (square meter)	Category of the lease term
Northside of Fenghuang Main Street, Westside of Wenquan Road, Linyi City, Shandong Province, the PRC	5,917 m ² (As at 31 December 2021: 5,917 m ²)	Land use rights for a term expired 18 April 2057

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

12. Investment properties (Continued)

Principal investment properties (Continued)

Valuation process and technique used to determine level 3 fair values

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

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

13. Trade receivables, prepayments and other receivables

	Notes	As at	
		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade receivables	(i)	146,054	128,909
Provision for loss allowance	(ii)	(1,668)	(1,668)
Trade receivables, net		144,386	127,241
Prepayments and deposit	(iii)	96,149	132,340
Other receivables	(iii)	33,357	4,278
Total trade and other receivables		273,892	263,859
Analysed as:			
Current assets		177,889	164,501
Non-current assets		96,003	99,358
		273,892	263,859

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 60 days (as at 31 December 2021: 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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Less than 30 days	73,691	51,259
31 to 60 days	69,874	74,394
61 to 90 days	635	815
91 to 180 days	136	773
181 to 365 days	59	–
	144,386	127,241

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
RMB	141,354	117,080
USD	3,032	10,161
	144,386	127,241

(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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade payables	44,893	17,641

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

	As at	
	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Less than 30 days	35,432	13,663
31 to 90 days	3,762	1,718
91 to 180 days	3,304	1,902
181 to 365 days	2,302	358
Over 1 year	93	–
	44,893	17,641

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

15. Accruals and other payables

	As at	
	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Accrued employee benefit expenses	6,442	6,157
Land taxes, surcharges and other taxes payables	3,365	2,673
Other payables for purchases of property, plant and equipment	–	1,355
Customer rebate	–	16,202
Others	19,450	8,262
	29,257	34,649

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

16. Bank borrowings

The Group's bank borrowings were repayable as follows:

	As at	
	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 1 year	75,131	92,286

Movements in bank borrowings are analysed as follows:

	Unaudited Six months ended 30 June	
	2022 RMB'000	2021 (Restated) RMB'000
As at 1 January	92,286	107,838
Proceeds from bank borrowings	70,000	88,000
Repayments of bank borrowings	(87,379)	(78,120)
Foreign exchange translation	224	(2,408)
As at 30 June	75,131	115,309

Notes to the Condensed Consolidated Interim Financial Information (Continued)

16. Bank borrowings (Continued)

Interest expense on bank borrowings for the six months ended 30 June 2022 is approximately RMB1,790,000 (for the six months ended 30 June 2021: RMB1,883,000). During the six months ended 30 June 2022, the Group has capitalised borrowing costs amounting to RMB2,254,000 on qualifying assets. Borrowing costs were capitalised at the weighted averaged rate of its general borrowing of 3.34% per annum (for the six months ended 30 June 2021, the Group has capitalised borrowing costs amounting to RMB449,000 on qualifying assets. Borrowing costs were capitalised at the weighted averaged rate of its general borrowing of 3.34% per annum).

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

	Note	Number of shares	Share capital HK\$'000	Equivalent nominal value of shares RMB'000
At 1 January 2022 and 30 June 2022 (Unaudited)		990,512,000	209,649	158,929
At 1 January 2021		977,462,000	189,682	141,685
Issuance of ordinary shares	(i)	13,050,000	19,967	17,244
At 30 June 2021 (Unaudited)		990,512,000	209,649	158,929

Notes to the Condensed Consolidated Interim Financial Information (Continued)

17. Share capital (Continued)

Authorised ordinary shares (Continued)

Issued and fully paid ordinary shares (Continued)

Note:

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

Share Option Scheme

For the six months ended 30 June 2022, no share options were granted, exercised or lapsed. For the six months ended 30 June 2021, movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

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

Notes:

- (i) 7,700,000 share options at an exercise price of HK\$0.97 each were granted on 21 April 2016. These share options were fully lapsed as at 31 December 2021.
- (ii) For the six months ended 30 June 2021 and 30 June 2022, no share option expense was recognised and included in employee benefit expenses.

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 2022 and 2021.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

17. Share capital (Continued)

Share Award Scheme (Continued)

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

	Number of shares '000	Amount paid RMB'000
At 1 January 2021, 30 June 2021 (Unaudited), 1 January 2022 and 30 June 2022 (Unaudited)	2,216	2,080

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

18. Reserves

	Shares held under share award scheme RMB'000	Merger reserve RMB'000	Revaluation reserve RMB'000	Share option reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000 (Restated) (Note)	Total RMB'000
At 1 January 2022	(2,080)	(3,100)	303	–	878,885	874,008
Profit for the period	–	–	–	–	53,341	53,341
At 30 June 2022 (Unaudited)	(2,080)	(3,100)	303	–	932,226	927,349
At 1 January 2021	(2,080)	(3,100)	303	375	879,449	874,947
Loss for the period	–	–	–	–	(69,193)	(69,193)
At 30 June 2021 (Unaudited)	(2,080)	(3,100)	303	375	810,256	805,754

Note:

Retained earnings as of period end include the statutory surplus reserve of the PRC subsidiaries amounting to approximately RMB94,356,000 (as at 31 December 2021: approximately RMB94,356,000).

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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

19. Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2022 and 31 December 2021.

20. 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 2022, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at	
	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 1 year	232	350

(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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Property, plant and equipment	4,858	4,404

21. 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)

21. 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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Amount due to a substantial shareholder Wealthy Active Limited	113,389	104,000

As at 30 June 2022, amount due to a substantial shareholder was unsecured, with interest at Hong Kong Interbank Offered Rate and repayable on demand (as at 31 December 2021: 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	
	2022 RMB'000	2021 RMB'000
Interest paid or payable to a substantial shareholder Wealthy Active Limited	424	82

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	
	2022 RMB'000	2021 (Restated) RMB'000
Basic salaries, allowances and benefits in kind	1,745	2,214
Social security costs	99	40
Defined contribution – MPF	15	31
	1,859	2,285

Other Information

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

During the six months ended 30 June 2022, 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 2022, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

Long Position in Ordinary Shares and Underlying Shares of the Company

Name of Directors	Capacity/Nature of interest	Number of shares held	Approximate percentage of total issued share capital
Mr. Yang Ziyuan	Interest of a controlled corporation	196,270,260 <i>(Note 1)</i>	19.82%
Ms. Chu Yinghong	Interest of spouse	196,270,260 <i>(Note 2)</i>	19.82%
Mr. Sun Xingyu	Interest of a controlled corporation	110,000,000 <i>(Note 3)</i>	11.11%
Mr. Yeung Wan Yiu	Interest of a controlled corporation	263,914,740 <i>(Note 4)</i>	26.64%

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. 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 2022, none of the Directors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information (Continued)

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

As at 30 June 2022, 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% or more in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long Position in the Shares of the Company

Name of Shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of total issued share capital
Rainbow Lead Ventures Limited (Note 1)	Beneficial owner	263,914,740	26.64%
Wealthy Active Limited (Note 2)	Beneficial owner	198,180,260	20.01%
Wealthy Maker Limited (Note 3)	Beneficial owner	110,000,000	11.11%
Sino Red Limited (Note 4)	Beneficial owner	70,515,000	7.12%
JL Investments Capital Limited (Note 5)	Person having a security interest in shares	100,000,000	10.10%

Notes:

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

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 2022.

Other Information (Continued)

Share Option Scheme

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

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

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

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

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

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

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

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

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

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

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

During the Review Period, no share options were granted, lapsed, exercised or outstanding.

Other Information (Continued)

Share Award Scheme

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

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (2020: Nil).

Significant Investments

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

Compliance with the Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the 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.

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.

Other Information (Continued)

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 2022 have been reviewed by the Audit Committee. 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 2022.

Subsequent Change after 30 June 2022

The Investigation Committee had on 18 May 2022 engaged Mazars Certified Public Accountants LLP (the "Forensic Accountant") as the Company's forensic accountant to conduct an independent forensic investigation into the unauthorized transaction(s). On 29 July 2022, the Company received a forensic investigation report from the Forensic Accountant with a summary of key findings. On 24 August 2022, the Investigation Committee resolved to mandate the Forensic Accountant to conduct further investigation into the electronic data and other matters. On 23 September 2022, the Forensic Accountant issued to the Investigation Committee a supplemental report on the key findings. Please see announcements of the Company dated 29 July 2022 and 3 October 2022 for details.

The Company engaged Elite Partners Risk Advisory Services Limited on 18 May 2022 to conduct an internal control review and to prepare a report on the findings ("IC Review Report") covering internal control systems for the period from 1 July 2021 to 30 June 2022. On 5 August 2022, the Audit Committee reported the results of the internal control review to the Board. The Board has reviewed and approved the IC Review Report. Please see announcement of the Company dated 5 August 2022 for details.

Save for the above, there were no significant changes in the Group's financial position or from the information disclosed in this report subsequent to 30 June 2022 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, 24 October 2022