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

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 6836

More Fresh and Healthy Choices

Annual Report 2015

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Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

Ms. Chu Yinghong
Mr. Wong Yim Pan

Independent Non-executive Directors

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Strategic Development Committee

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

Company Secretary

Mr. Ho Ho Tung Armen

Authorised Representatives

Mr. Sun Xingyu
Mr. Ho Ho Tung Armen

Headquarters and Principal Place of Business in China

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

Registered Office in the BVI

Commerce House
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British Virgin Islands
VG1110

Principal Place of Business in Hong Kong

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Beautiful Group Tower
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Central
Hong Kong

Branch Share Registrar and Transfer Office in Hong Kong

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

Compliance Adviser

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

Legal Adviser as to Hong Kong Law

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Rooms 1002-1003, 10th Floor
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The Landmark
15 Queen's Road Central
Hong Kong

Corporate Information

Legal Adviser as to PRC Law

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Beijing 100025
the PRC

Principal Bankers

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

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

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

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

Auditor

PricewaterhouseCoopers
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Company's Website

http://www.tianyuninternational.com

Enquiries

info@tianyuninternational.com

Stock Code

6836

Financial Highlights

	Year ended 31 December		
	2015 (RMB million)	2014 (RMB million)	Changes (%)
Revenue	553.6	447.7	23.7%
– OEM Sales	372.1	314.1	18.5%
– Own Brand Sales	100.3	50.3	99.4%
– Fresh Fruit Sales and Others	81.2	83.3	(2.5%)
Gross Profit	172.0	135.4	27.0%
– OEM Sales	121.9	97.4	25.2%
– Own Brand Sales	32.1	15.6	105.8%
– Fresh Fruit Sales and Others	18.0	22.4	(19.6%)
Operating Profit	130.6	115.9	12.7%
Net Profit for the year	96.9	89.3	8.5%
Adjusted Net Profit for the year*	117.4	91.0	29.0%
Gross Profit Margin	31.1%	30.2%	
Net Profit Margin	17.5%	20.0%	
Adjusted Net Profit Margin	21.2%	20.3%	
Earnings per share (expressed in RMB cents)			
– Basic	11.12	11.91	(6.6%)
– Diluted	11.12	11.91	(6.6%)

*Note: Adjusted Net Profit for the year is calculated as Net Profit for the year excluding the listing expenses.

Chairman's Statement

Mr. Yang Ziyuan
Chairman

Dear Shareholders,

On behalf of the board of directors (the "Board") of Tianyun International Holdings Limited (the "Company"), I am pleased to present our first annual report, following the successful listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 July 2015. This report covers the period for the year ended 31 December 2015.

2015 was an important milestone for the development of the Company. We were delighted with the listing on the Main Board of the Stock Exchange in last July, by which we have gained exposure to international capital markets. This helps to lay a more solid foundation for our long-term development and make our products more widely known, resulting in better brand building. Following the completion of workshops nos. 3 and 4, we have allocated the net proceeds from the listing towards the expansion of workshops nos. 5 and 6 as originally planned. We have also allocated resources for the expansion of our distribution and sales networks, market promotions as well as product research and development. Leveraging the great efforts of our management team and staff, we will continue to optimise the quality and quantity of our products in order to offer top-grade, safe and healthy processed fruit products to consumers. The fruit sorbet products we launched in April 2015 have received high appraisal from the market, and we will soon launch new products, including fruit puree, fruit smoothies as well as fruit jelly. We are confident that these new products will also capture the consumers' hearts. In future, we will continue to pursue product innovation and launch even more high-quality and conveniently-consumed processed fruit products that cater for the tastes of consumers.

Despite a weakening growth of consumer goods market caused by slow down of China's economy, we still recorded significant sales growth of our processed fruit products. The growth of own branded products in particular was attributable to the new distributorship system we adopted last year. As at the date of this annual report, we have expanded the number of our distributors to 86, a significantly higher figure compared with 2014. Our sales channels and networks, and our overall customer base have been enhanced by expansion of the distributorship system. Currently, our own brand products are sold in 20 provinces, municipalities, and autonomous regions across the PRC, and extending into Hong Kong with doubled total sales as compared to last year. To further enhance our overall brand image, we will maintain high product standards, and launch a series of media advertisements and major promotional campaigns for the year ahead.

Chairman's Statement

Apart from traditional offline sales channels, we have successfully developed a new online sales channel with the launch of our online shop on Tmall in April 2015, one of the most popular online shopping platforms in China. Our Tmall customers have given us positive comments, and our single month online sales volume in November 2015 equalled the cumulative sales volume of the trial period from April to October 2015, reflecting a strong developmental trend. Moreover, we plan to launch additional sales channels through internet and mobile applications to further boost our online sales.

The Company's strict adherence to superior quality and high standards has allowed us to become one of the few manufacturers recognised by the world's leading food companies. Faced with fierce competition from other domestic processed fruit brands, we will continue to strengthen our own brand product business by leveraging the solid foundation of our OEM business. At the same time, we are proactively planning an expansion of our processed fruit product lines by offering a wider range of fruits to capture currently untapped markets. We strongly believe that our parallel development strategy will help drive solid business growth in future.

In addition to our business development, we also focused diligently on our corporate social responsibilities. In terms of our employee's work environment, we strive to ensure staff's health and occupational safety. We also pay close attention to job training and career development. Environmental protection is another key area of concern for us, especially with respect to our philosophy of "Environment Comes First". To properly cope with the expansion of production capacity, we have replaced coal-fired boilers with gas furnaces while upgrading and constructing an advanced phase 2 sewage treatment facility in order to reduce pollutant emissions. In terms of helping society, we consider ourselves to be an integral part of the community, and as such, continually seek new ways to participate in public welfare activities. For example, we have initiated programmes such as organising activities for children in Linyi, Shandong Province to the theater to watch a Garfield show, hosting fun fairs, supporting International Working Women's day and arranging elderly home visits. All our efforts in this area reflect our sincere desire to contribute to the society.

In closing, on behalf of the Board, I would like to extend my sincere gratitude to the management team and our staff for their dedication and contributions, which have propelled the Company forward. I would also like to thank our business partners and shareholders for their trust and valuable support. We will continue to adopt the most stringent manufacturing procedures to produce high-quality, healthy, safe and conveniently-consumed processed food products while making great strides to explore and take advantage of new opportunities, in order to maximise returns for our shareholders.

Sincerely,
Yang Ziyuan
Chairman and Chief Executive Officer

Linyi City, Shandong Province, The PRC

30 March 2016

Management Discussion and Analysis

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

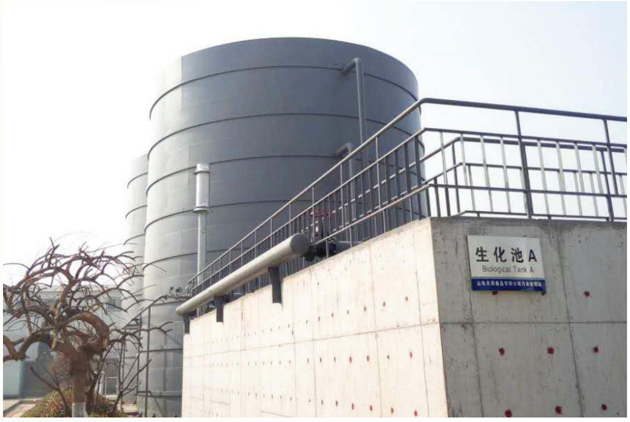
Business Review

In 2015, the PRC's economy entered a new moderation state wherein the growth rate shifted from high to medium-to-high level. China recorded a gross domestic products ("GDP") growth of 6.9% in 2015, representing a year-on-year decrease of 5.5%. Nevertheless, the Group recorded a remarkable performance in 2015 with revenue and adjusted net profit (i.e. the profit attributable to equity holders of the Company before listing expenses) increased by 23.7% and 29.0% respectively, including an approximately of 99.4% year-on-year revenue growth of our own brand products. The brilliant results demonstrated the good prospect of the processed fruit product industry as well as the Group's capability to capture the promising business opportunities.

As disclosed in the prospectus of the Company dated 24 June 2015, the largest canned fruit manufacturer in China in 2014 had a 4.3% market share in terms of total sales value of approximately RMB11.3 billion. The total sales value of the canned fruit market in China was forecasted to reach RMB11.9 billion in 2015. Our total sales value from processed fruit products achieved RMB472.4 million in 2015 and represented approximately 4.0% of the forecasted total sales value of the canned fruit market in China.

During the year, the new PRC Food Safety Laws was introduced and the relevant authority had taken certain measures to enforce full compliance with food industry standards and suspend certain illegal or sub-standard food processing companies in the PRC that did not meet regulatory standards. Moreover, the relevant authority had adopted more stringent environmental regulations and imposed fines and other penalties on activities that threaten the environment. The new food safety, and environmental laws and regulations may render the suspension of many production facilities in the industry. The additional capital expenditure and unanticipated regulatory developments would also create barriers to any new entries, and increase substantial operation burdens to those companies with only limited compliance systems in place.

Management Discussion and Analysis



Our Group has always kept our sustainable development that aligns with the harmonious relationship to the environment. We always insist on the ideology of environmental protection, green, conventional, safe and clean. During the year of 2015 and up to the date of this annual report, we have invested over RMB10 million in upgrading our sewage treatment facilities and gas boilers. The sewage treatment facilities were designed by the expert team from one of the most advanced PRC Institutes in this area and can degrade the chemical oxygen demand (COD), ammonia and other indicators in the most effective manner, and fully comply with the new PRC national standards. Our new gas boilers are most advanced energy saving condensing heat recovery boilers and replaced the old coal-fired boilers. The energy saving function of the boilers reduces their heat loss and the temperature of the exhaust gas, and thereby improving their thermal efficiency, saving energy and reducing the operating costs.

The new facilities have not only set a solid foundation for our Group's capacity expansion up to approximately of 130,000 tonnes in the next three years, but also contributed to the sustainable development in terms of environmental protection.

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

OEM Sales Strategy

The Group produced processed fruit products in accordance with the specifications provided by our OEM customers. Processed fruit products produced on an OEM basis ("OEM Sales") were sold both in the PRC and overseas including Canada, the United States, Japan, the United Kingdom, Germany, New Zealand, Australia, Malaysia, and South Africa.

The total value of imports and exports in the PRC in 2015 decreased by 7.0% with exports dropping 1.8% and imports going down by 13.2% according to the report of the National Bureau of Statistics of China. Despite the unfavourable global export environment, our OEM sales recorded a double digit growth of 18.5%. OEM Sales remained our core business. While we had secured more international well-known brand owners during the year, the Group received strong demand from existing OEM customers. We successfully controlled the contribution to be more evenly distributed among all of our OEM customers. During the review period, the contribution of total revenue from our five largest customers decreased from 43.9% in 2014 to 38.0% in 2015, and the percentage of sales of our largest customer to total sales reduced from 11.3% in 2014 to 9.6% in 2015. The number of active OEM customers increased moderately to 41 (2014: 38).

Own Brand Product Sales Strategy

We had been offering three lines of own brand products and targeting different markets, "繽果時代 (Bingo Times)" for the PRC retail market, "Tiantong Times" for overseas retail market and "果小懶" for online sales, respectively.

According to the report of National Bureau of Statistics of China, total retail sales of consumer goods in the PRC in 2015 rose by 10.7% with sales in urban areas growing by 10.5% and in rural areas by 11.8%. Online retail sales also surged 33.3% compared with last year. Our Group followed the same trend and recorded significant growth in our own brand products ("Own Brand Sales") in both traditional retail sales and online retail sales.

The revenue generated from our own brand products was approximately RMB100.3 million for the year ended 31 December 2015, accounted for 21.2% of the Group's revenue from processed fruit products and representing a 99.4% increase when compared with the same period in 2014. This substantial growth of revenue contribution of own brand products was mainly attributable to the launching of new distributorship system, which we had adopted in January 2015. By entering into formal distribution agreement with our distributors, we could better manage the sales strategies and foster a closer communication with our distributors. The number of our distributors increased from 17 as at 31 December 2014 to 86 as at the date of this annual report. Our own brand products was sold to 20 provinces and municipals in the PRC through the distributors.

Trading of Fresh Fruit

The Group selected and resold a small portion of the fresh fruit to fresh fruit wholesalers in the PRC. Under the review period, the revenue from trading of fresh fruit and others was approximately RMB81.2 million, representing 14.7% of the Group's total revenue. Due to the increase of revenue from OEM and own brand products, the segment weighed lesser when compared with the same period of 2014.

Expansion of Production Facilities

To cope with the rapid business growth and meet the increasing demand, the Group had completed the expansion of No. 3 and No. 4 workshops of our production facilities located on the existing site of our headquarter in Linyi City of Shandong Province of the PRC. As at the date of this annual report, the test production was in process. By introducing more advanced manufacturing and quality control equipment, we had enhanced our production efficiency and expanded the designed production capacity by 20,000 tonnes to reach approximately 84,000 tonnes per annum. The expansion of production facilities would satisfy the expected market demand of our processed fruit products in coming years before the completion of our No. 5 and No. 6 workshops. This is a key step to accelerate the pace of our own brand products to penetrate into the PRC as well as overseas market, and increase our capability to mass production of any newly-developed products.

Broadening of Sales Channels

In 2015, the Group had proactively broadened its sales channels to those regions with huge potential growth. In July 2015, we signed a distribution agreement with a Hong Kong distributor and our products under Tiantong brand has been selling in some of the popular supermarket chains in Hong Kong. We considered this is one of the important steps for our own brand products to enter into the overseas market.

In addition to the traditional distribution channels by different regions, we had also secured distribution contracts with a number of national and regional supermarket chains. This allows us to receive feedback directly from consumers through the supermarket chains. We can then better anticipate and respond to consumers' changes in tastes, preferences and perceptions for our processed fruit products, and develop new processed fruit products accordingly.

With regard to the online sales channels, we have launched our online shop through Tmall, one of the most popular online retail platforms in the PRC, since April 2015. The online sales volume for November 2015 alone was equal to the cumulative sales volume of the past six months in the trial period. Even more encouraging was the statistics of Tmall showing that our products continuously achieved over 20% higher combined score than the other online shops which are offering similar type of products.

Marketing and Promotion

The Group had allocated resources to proactively build its brand and enhance brand awareness through various marketing and promotion activities. During the year, the Group adopted several strategies to achieve the goal including, (i) advertising on regional satellite TV, internet, billboard and printed media to enhance brand image; (ii) joining both local and international exhibitions to promote our OEM and own brand products; and (iii) hosting tasting promotion events on a regular basis in supermarkets of various regions.

Research and Development

With a commitment to develop a wide variety of safe, high-quality, conveniently-consumed and healthy processed fruit products to our consumers, the Group had been placing more and more resources in research and development. We continuously strive to diversify and improve the varieties of products we offer. Our research and development team worked closely with our quality control team and sales and marketing teams in enhancing our existing product range and developing new products that respond to the market tastes and preferences.

During the year, we had completed the development of various new processed fruit products including fruit sorbet, fruit smoothies and fruit jelly. We expect to launch the new processed fruit products to the market during the year of 2016. We believe the new product varieties can help us to capture more customers and revenue in the processed fruit market.

Future Prospect

China's short-term economic trend is clouded by a number of uncertainties in the international trade and financial market conditions. However, with better living standard and higher level of health consciousness, the demand for high-quality, conveniently-consumed and safe processed fruit products with long shelf life remains strong in the PRC, and all these factors are still strongly in favour of the growth of the processed fruit product industry.

We will continue to procure new international well-known brand customers for our OEM business. As of the date of this annual report, we have already arranged with a number of prospective customers to conduct site visit before they confirm their orders in the peak season during the second half of 2016.

In 2016, expanding the market coverage has become a major development direction for the Group's own brand products. We believe the new distributorship system we adopted in 2015 can further enlarge our product's geographic coverage in the PRC and we will continue to expand the number of quality distributors. Following the success of extending the market to Hong Kong, we endeavor to bring our own brand products to other overseas markets by participating in international trade fairs for higher exposure.

We will also promote our own brand products and increase our marketing activities on different media channels including the cable and satellite TV that focused on Shandong Province and our targeted regions, in order to penetrate our brand and products to our targeted regions and customer groups.

Apart from traditional offline sales channels, we will invest more resources to develop the online shopping platform and set up new sales channels through WeChat, one of the biggest instant messaging software applications in China. Given the prevailing trend and habit of online shopping in the PRC, we believe that our online sales platforms will drive significant growth momentum on our revenue in the future.

To satisfy the increasing market demand for processed fruit products, we had timely expanded our production capacity and we will continue to enhance the automation and efficiency of our production facilities in 2016. We will also actively proceed with the development of No. 5 and No. 6 production workshops.

While we will continue developing new products that satisfy the market demand, we also plan to introduce more fruit varieties such as mandarin citrus and other tropical fruits, in order to widen and diversify the supply chain of our processed fruit products. To support the product range diversification, we will actively seek collaboration opportunities in the industry and will not exclude the possibility of merger and acquisition given that the collaborations are able to maximise the efficiency of the entire operation.

In the future, the Group will ride on the solid foundation of its OEM business to capture the significant opportunities on our own brand products. Our revenue of the first two months in 2016 as compared to the same period in 2015 has shown a growth trend that is consistent with our growth in the past. We expect that our performance will follow a similar trend in the coming year.

Financial Review

Revenue

During the year ended 31 December 2015, our revenue increased to approximately RMB553.6 million from approximately RMB447.7 million for the year ended 31 December 2014, representing an increase of approximately RMB105.9 million or 23.7%. The Company continued to sell its processed fruit products on both an OEM basis and under its own brand, and engage in trading of fresh fruits. The increase in revenue was mainly attributable to (i) the increase in the sales of OEM sales from approximately RMB314.1 million for the year ended 31 December 2014 to approximately RMB372.1 million for the year ended 31 December 2015, representing a growth of 18.5%; and (ii) the increase in the sales of our own brand products from approximately RMB50.3 million for the year ended 31 December 2014 to approximately RMB100.3 million for the year ended 31 December 2015, representing a growth of 99.4%.

Breakdown of the revenue by business segments for the year ended 31 December 2015 and the comparative figures in 2014 are set out as follows:

	For the year ended 31 December			
	2015	2014	Changes	
	RMB million	RMB million	RMB million	%
Revenue				
OEM Sales	372.1	314.1	58.0	18.5%
Own Brand Sales	100.3	50.3	50.0	99.4%
Fresh Fruits Sales and others	81.2	83.3	(2.1)	(2.5%)
Total	553.6	447.7	105.9	23.7%

Processed fruit products sold on an OEM basis contributed the most to the total revenue of the Group which represented 67.2% (2014: 70.2%) of the total revenue during the year ended 31 December 2015. Our processed fruit products are sold to international well-known brand owners either by our Group directly to overseas brand owners and trading entities, or through third party trading entities in the PRC.

Direct OEM sales to overseas brand owners and trading entities increased from approximately RMB34.4 million for the year ended 31 December 2014 to RMB60.4 million for the year ended 31 December 2015, representing a growth of 75.6%. The rise was mainly attributable to the increase in sales orders by a number of existing and new brand owners from North America and Japan. Sales to the trading entities in the PRC also reported a double digit growth of 11.5% and increased to approximately RMB311.9 million for the year ended 31 December 2015 (2014: RMB279.7 million). Most of the top ten trading entities in the PRC for the year ended 31 December 2014 increased their sales orders in 2015.

During the year under review, the sales of processed fruit products under our own brand accounted for 18.1% (2014: 11.2%) of the total revenue. The substantial increase was contributed by the continuous increase in the number of distributors under the new distributorship system since January 2015. Over 95% of our distributors completed their targeted sales in 2015.

We also sold fresh fruit products and the revenue contributed by fresh fruit sales and others represented 14.7% of the total revenue for the year ended 31 December 2015 (2014: 18.6%). Revenue from fresh fruit sales and others for the year ended 31 December 2015 was broadly in line with last year.

Gross profit and gross profit margin

	For the year ended 31 December			
	2015	2014	Changes	
	RMB million	RMB million	RMB million	%
Gross profit				
OEM Sales	121.9	97.4	24.5	25.2%
Own Brand Sales	32.1	15.6	16.5	105.8%
Fresh Fruits Sales and others	18.0	22.4	(4.4)	(19.6%)
Total	172.0	135.4	36.6	27.0%

	For the year ended 31 December	
	2015	2014
Gross profit margin		
OEM Sales	32.8%	31.0%
Own Brand Sales	32.0%	31.0%
Fresh Fruits Sales and others	22.2%	26.9%
Overall	31.1%	30.2%

Gross profit for the year ended 31 December 2015 increased to approximately RMB172.0 million from approximately RMB135.4 million for the year ended 31 December 2014, representing a year-on-year increase of RMB36.6 million, or 27.0%. The increase in gross profit was mainly driven by the increase of revenue from both OEM Sales and Own Brand Sales. The improvement of gross profit margin was mainly contributed by the increase in sales and volume of processed fruit products packaged in plastic cup containers which is the product with the highest gross profit margin among the existing types of packaging.

Other income

Other income for the year ended 31 December 2015 decreased to approximately RMB0.3 million from approximately RMB1.4 million for the year ended 31 December 2014. Other income in 2015 represented mainly various government subsidies received from finance bureau, city management committee and agricultural committee of the local government.

Selling and distribution expenses

Selling and distribution expenses mainly include the transportation costs, advertising expenses, salary expenses and related staff costs from sales and marketing department. For the year ended 31 December 2015, the selling and distribution expenses amounted to approximately RMB11.4 million, representing a year-on-year increase of approximately RMB0.4 million, or 3.6%. The increase was attributed to the rise in staff costs and advertising expenses for business expansion, and was partly offset by a reclassification of the business tax and surcharges.

General and administrative expenses

General and administrative expenses mainly include listing expenses, salary expenses and related staff costs for management and administrative departments, professional fees, depreciation, foreign exchange difference, and various taxes with regard to the use of land and buildings. The amount increased from RMB9.9 million for the year ended 31 December 2014 to RMB30.3 million for the year ended 31 December 2015. Excluding the one-off listing expenses of approximately RMB20.5 million (2014: approximately RMB1.7 million), general and administrative expenses for the year ended 31 December 2015 amounted to approximately RMB9.8 million, representing a year-on-year increase of approximately RMB1.6 million or 19.5%. The overall increase was mainly attributable to the increase in staff costs and professional fees after listing and additional depreciation and tax expenses after the acquisition of land and buildings during the year, which was partly offset by the exchange gain.

Income tax expenses

Income tax expenses represent the PRC enterprise income tax of our PRC subsidiaries. For the year ended 31 December 2015, our income tax increased by RMB7.9 million, or approximately 32.6%, to RMB32.1 million from RMB 24.2 million for the year ended 31 December 2014. The increase in the income tax expenses was primarily due to the increase in our profit before tax during the period and the non-recurring listing expenses that had not been deductable from the taxable profit of 2015.

Net profit and net profit margin

	For the year ended 31 December		Changes	
	2015	2014		
	RMB million	RMB million	RMB million	%
Net profit for the year	96.9	89.3	7.6	8.5%
Adjustments:				
Listing expenses	20.5	1.7	18.8	1,105.9%
Adjusted net profit for the year	117.4	91.0	26.4	29.0%
Net profit margin	17.5%	20.0%	N/A	N/A
Adjusted net profit margin	21.2%	20.3%	N/A	N/A

For the year ended 31 December 2015, net profit increased by approximately RMB7.6 million or 8.5% to approximately RMB96.9 million as compared to approximately RMB89.3 million for the year ended 31 December 2014.

If the one-off listing expenses is excluded, the adjusted net profit increased from approximately RMB91.0 million for the year ended 31 December 2014 to approximately RMB117.4 million for the same period in 2015, representing a growth of 29.0% or an increase of RMB26.4 million.

The net profit and adjusted net profit margin for the year under review is 17.5% and 21.2% respectively (for the year ended 31 December 2014: 20.0% and 20.3% respectively).

Total comprehensive income for the year attributable to the owners of the Company

Total comprehensive income for the year attributable to the owners of the Company increased by 8.5% to RMB96.9 million for the year ended 31 December 2015 from RMB89.3 million for the year ended 31 December 2014.

Liquidity, financial resources and capital resources

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

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

	As at 31 December 2015	As at 31 December 2014
Gearing ratio (%)	13.9%	34.2%
Current ratio	3.64	1.60
Cash and cash equivalent (RMB million)	227.0	31.6
Net current assets (RMB million)	257.0	45.8
Quick ratio	3.06	1.06

The gearing ratio of the Group as at 31 December 2015 was 13.9% (31 December 2014: 34.2%). 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 the non-trade nature of amounts due to directors, the immediate holding company and a related company.

The current ratio (calculated based on total current assets divided by total current liabilities) of the Group as at 31 December 2015 was 3.64 (31 December 2014: 1.60).

As at 31 December 2015, our cash and cash equivalents amounted to approximately RMB227.0 million (31 December 2014: RMB31.6 million). Our net current assets was approximately RMB257.0 million as at 31 December 2015, as compared to approximately RMB45.8 million as at 31 December 2014.

The quick ratio (calculated based on total currents assets minus inventory divided by total current liabilities) of the Group as at 31 December 2015 was 3.06 (31 December 2014: 1.06).

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

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

The Group has not experienced any material difficulties or adverse effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2015.

Capital structure

The Group's total equity and liabilities amounted to approximately RMB489.3 million and RMB97.3 million, respectively as at 31 December 2015 (31 December 2014: RMB118.3 million and RMB76.5 million).

Bank borrowings and finance costs, net

As at 31 December 2015, the total amount of interest-bearing bank borrowings of the Group was RMB68.0 million (31 December 2014: RMB33.0 million). These bank borrowings are denominated in Renminbi and are all repayable within one year. The increase in bank borrowings of RMB35.0 million was mainly due to the funding of the acquisition of certain land and buildings and production facilities for a consideration of RMB80.0 million during the year. Finance costs of the Group decreased from RMB2.4 million for the year ended 31 December 2014 to RMB1.9 million for the year ended 31 December 2015, representing a decrease of approximately RMB0.5 million or approximately 20.8%. Such drop was mainly attributable to the increase of capitalisation of borrowing costs amounting to RMB1.7 million on qualifying assets during the year ended 31 December 2015 (for the year ended 31 December 2014: RMB0.9 million). The weighted effective interest rates of bank borrowings was 6.8% as at 31 December 2015 (2014: 9.1%).

Pledged assets

The Group pledged its land and buildings as collateral for bank borrowings. As at 31 December 2015, the net book value of pledged land and buildings amounted to approximately RMB78.8 million.

Capital expenditure

During the year under review, we have completed the purchase of a parcel of land in Linyi City, Shandong Province, the PRC together with our existing production facilities located thereon comprising the production plants, ancillary facilities, offices, dormitories and canteens with a total gross floor area of approximately 40,181.7 square metres at a consideration of RMB80.0 million which was fully settled in June 2015.

The Group also spent RMB2.7 million on renovating the existing production workshops, and RMB7.6 million on upgrading the existing production facilities, environmental system and auxiliary equipments. The addition of construction in progress amounted to RMB27.4 million mainly represented the leasehold improvement, and machinery and equipment for the No. 3 and No. 4 workshops. During the year, the Group also prepaid a refundable sum of RMB42.0 million to the local government for preparation for participating in auction for a parcel of land next to the existing site of the headquarter in Linyi City for business expansion in the future.

Interest rate risk

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

Foreign currency exposure

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

Human resources

As at 31 December 2015, the number of employees of the Group was 407 (31 December 2014: 640). The drop in headcount was mainly from production function that was attributable to our continuous upgrade of production facilities and automation of production process. The total staff costs, including Directors' emoluments, amounted to approximately RMB18.1 million for the year under review (the year ended 31 December 2014: approximately RMB28.9 million). Since 1 March 2015, we have fully complied with the social insurance and housing provident fund requirements in the PRC.

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

Commitments and contingent liabilities

As at 31 December 2015, the Group did not have other material capital commitments, save as disclosed in page 80 of the notes to the consolidated financial statement. 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 31 December 2015 amounted to approximately RMB16.0 million and mainly comprised the committed expenditure of leasehold improvement, and equipment and machineries for No. 3 and No. 4 workshops.

Material acquisitions and disposals

During the year ended 31 December 2015, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

Corporate Governance Report

The Company is committed to maintaining good corporate governance standard and procedures to ensure the sound internal control, integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

Corporate Governance Practice

The Company has adopted the code provisions set out in the CG Code as set out in Appendix 14 to the Listing Rules on the Stock Exchange. Throughout the period since the Listing Date (i.e. 7 July 2015) and up to 31 December 2015, the Company has complied with the relevant provisions of the CG Code except Code provision A.2.1 of the CG Code, details of which are set out under the sub-paragraph headed "Chairman and Chief Executive Officer" below.

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the period from Listing Date to 31 December 2015.

Board of Directors ("Board")

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. Each Director has a fiduciary duty and statutory responsibilities towards the Company. Each Director is aware of his collective and individual responsibilities to all shareholders and that he should give sufficient time and attention to the affairs of the Company. Management was delegated the authorities and responsibilities by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out below.

The composition of the Board and the relevant information during the period from the Listing Date to 31 December 2015 are set out as follows:

Director	Position	Term of office
Mr. Yang Ziyuan	Executive Director, Chairman and Chief Executive Officer	From 7 July 2015 to 15 June 2018
Mr. Sun Xingyu	Executive Director	From 7 July 2015 to 15 June 2018
Ms. Chu Yinghong	Non-executive Director	From 7 July 2015 to 15 June 2018
Mr. Wong Yim Pan	Non-executive Director	From 7 July 2015 to 15 June 2018
Mr. Liang Zhongkang	Independent Non-executive Director	From 7 July 2015 to 15 June 2018
Mr. Tsang Yuen Wai	Independent Non-executive Director	From 7 July 2015 to 15 June 2018
Ms. Hui Yung Yung Janet	Independent Non-executive Director	From 7 July 2015 to 15 June 2018

Except Ms. Chu Yinghong is the spouse of Mr. Yang Ziyuan, the Board members have no financial, business, family or other material relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board; and has met the recommended best practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors are set out on pages 24 to 26 under the section headed "Biographical Details of Directors and Senior Management".

The Board decides on corporate strategies, approves overall business plans and evaluates the Group's financial performance and management. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating performance, the implementation of risk management and internal controls procedures, and the compliance with relevant statutory requirements and other rules and regulations.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yang is our chief executive officer, and he also performs as the chairman of our Board as he has considerable experience in the fruit processing industry. The Board believes that vesting the roles of both the chairman of our Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group.

Besides, all major decisions have been made in consultation with 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. The Board is therefore 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 Company's current structure and to make necessary changes at an appropriate time.

Independent Non-executive Directors

The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting, legal and fruit processing industry. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives a confirmation of his/her independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules. The independent non-executive Directors were appointed for a term of three years commencing from 16 June 2015 and are subject to retirement by rotation in accordance with the Articles of Association of the Company.

Board Meeting

The Company was incorporated under the BVI Business Companies Act on 8 September 2011. During the financial year ended 31 December 2015, the Board held 2 meetings:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Yang Ziyuan	2/2	N/A	0/0	0/0
Mr. Sun Xingyu	2/2	N/A	N/A	N/A
Ms. Chu Yinghong	2/2	N/A	N/A	N/A
Mr. Wong Yim Pan	2/2	N/A	N/A	N/A
Mr. Liang Zhongkang	2/2	1/1	0/0	0/0
Mr. Tsang Yuen Wai	2/2	1/1	0/0	0/0
Ms. Hui Yung Yung Janet	2/2	1/1	0/0	0/0

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Directors' Continuous Training and Professional Development

All Directors are aware of their responsibilities to the shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he/she has a proper understanding of the business and operations of the Group and that he/she is fully aware of his/her duties and responsibilities as a director under applicable rules and requirements.

All Directors are provided with regular updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors on an ongoing basis. The Company has organised two training courses in 2015 on updated law and regulations and corporate governance and all Directors attended the same.

Audit Committee

The Company established the Audit Committee on 16 June 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Liang Zhongkang, Mr. Tsang Yuen Wai and Ms. Hui Yung Yung Janet. The Audit Committee is chaired by Mr. Tsang Yuen Wai.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the Company's internal audit function and internal control and risk management system of the Group, to oversee the audit process, to review the policies of the Company and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee meets the external auditors at least twice a year to discuss any areas of concern during the audits or review. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

Moreover, the Audit Committee monitors the compliance with statutory requirements, and review the scope, extent and result of the Company's internal audit function.

During the year ended 31 December 2015, the Audit Committee held one meeting to review the interim results of the Company. One meeting of the Audit Committee was held on 30 March 2016 to review the annual results for the year ended 31 December 2015 of the Company.

Nomination Committee

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the food processing industry and/or other professional area.

The Company established the Nomination Committee on 16 June 2015 with written terms of reference. The Nomination Committee consists of four members, being Mr. Yang Ziyuan, Mr. Liang Zhongkang, Mr. Tsang Yuen Wai and Ms. Hui Yung Yung Janet. Three of the members of the Nomination Committee are our independent non-executive Directors. The Nomination Committee is chaired by Mr. Yang Ziyuan.

The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board; and will ongoing review the structure, size, composition and diversity of the Board on a regular basis and make recommendations on any proposed changes to the Board; and monitor the training and continuous professional development of Directors and senior management.

Pursuant to the CG Code, the Board adopted a board diversity policy (the "Board Diversity Policy") on 16 June 2015. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. During the year ended 31 December 2015, the Nomination Committee did not hold any meeting. One meeting of the Nomination Committee was held on 30 March 2016 to review the structure, size and composition of the Board and concluded that members of the Board has possessed the expertise and independence to carry out the Board's responsibilities, and the board diversity policy is implemented.

Remuneration Committee

The Company established the Remuneration Committee on 16 June 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 of the Listing Rules. The Remuneration Committee consists of four members, being Mr. Liang Zhongkang, Mr. Yang Ziyuan, Mr. Tsang Yuen Wai and Ms. Hui Yung Yung Janet. Three of the members of the Remuneration Committee are the independent non-executive Directors. The Remuneration Committee is chaired by Mr. Liang Zhongkang.

The primary duties of the Remuneration Committee include (but not limited to): (i) making recommendations to the Directors regarding the policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) assessing performance of the Directors and senior management and reviewing and approving the terms of management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

The remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members.

During the year ended 31 December 2015, the Remuneration Committee did not hold any meeting. One meeting of the Remuneration Committee was held on 30 March 2016 to approve the remuneration packages and performance bonus for the Directors and senior management of the Company.

During the consideration of the remuneration, no individual Director was involved in decisions relating to his own remuneration.

Strategic Development Committee

The Company established the Strategy Development Committee on 16 June 2015. The Strategic Development Committee consists of five members, being Mr. Yang Ziyuan, Mr. Sun Xingyu, Ms. Chu Yinghong, Mr. Wong Yim Pan and Mr. Liang Zhongkang. Mr. Yang Ziyuan has been appointed as the chairman of our Strategic Development Committee.

The primary function of the Strategy Development Committee is to formulate the overall business strategies of the Group. The Strategic Development Committee is also responsible for monitoring the implementation of the business strategies of the Group.

During the year and up to the date of this annual report, no meeting for the Strategic Development Committee was held.

Internal Control and Risk Management

The Board has overall responsibility for maintaining a proper and effective system of internal control and risk management of the Company. An adequate and effective internal control system can mitigate risk and to safeguard the interest of shareholders and the Company's assets. The Board has delegated to management the implementation of all relevant financial, operational, compliance controls and risk management of the Company. The management team, under the supervision of the Board, has developed internal control systems to manage significant risks faced by the Company.

The Company has established Internal Audit function, to perform independent review on the operational areas and present its findings and prospective audit plan to the Audit Committee. In addition, the Company has engaged an external advisor to provide recommendations on risk management and internal control.

The Board has, through the Audit Committee, reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and their training programmes and budget, and was satisfied with the results of the review.

The Audit Committee has reviewed the effectiveness of the Company's internal control system on behalf of the Board. The Board is satisfied that the Company has complied with the provisions regarding internal controls as required under the CG Code and is not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the internal control system.

Auditors' Remuneration

During the year under review, the remuneration provided and paid to the Company's external auditors, PricewaterhouseCoopers, was approximately HK$1.5 million and HK$5.2 million for audit services and non-audit services respectively. The non-audit services rendered was the fees for the Listing of the Company, and risk management and internal control advisory.

Directors' Responsibility for the Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The statement by the auditors of the Company about their reporting responsibilities on the financial statements for the year ended 31 December 2015 are set out on page 37 of this annual report.

Company Secretary

The Company Secretary is Mr. Ho Ho Tung Armen. The biographical details of the Company Secretary are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. The Company Secretary took not less than 15 hours of relevant professional training in the year ended 31 December 2015 as required under Rule 3.29 of the Listing Rules.

Shareholders' Rights to Convene a General Meeting

The general meetings of the Company provide an opportunity for communications between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles of Association and the BVI Business Companies Act. The procedures shareholders can use to convene an extraordinary general meeting are set out in the paragraph headed "Procedures for Putting Forward Proposals by Shareholders at General Meeting" below.

Procedures for Putting Forward Proposals by Shareholders at General Meeting

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the issued shares of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Putting Enquiries by Shareholders to the Board

To ensure effective communications between the Board and the shareholders and the investment community at large, the Company's information are communicated to the shareholders and the investment community mainly through the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be directed to the Board at the Company's principal place of business in Hong Kong at Unit 605, 6th Floor, Beautiful Group Tower, 74-77 Connaught Road Central, Central, Hong Kong or by email at info@tianyuninternational.com.

Constitutional Documents

Pursuant to a special resolution of the then shareholders of the Company passed on 16 June 2015, the existing articles of association of the Company were adopted. Save as disclosed above, during the year ended 31 December 2015, there was no change in the articles of association of the Company.

The existing articles of association of the Company are available on the websites of the Stock Exchange and the Company.

Communications with Shareholders and Investors

The Board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as the chairman of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategic Development Committee together with the external auditor are present to answer shareholders' questions. The annual report together with annual general meeting circular is distributed to all the shareholders at least 20 clear business days before the annual general meeting.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions set out in the notice of the 2016 annual general meeting will be voted by poll.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Yang Ziyuan (楊自遠), *Chairman and Chief Executive Officer*

Mr. Yang Ziyuan, aged 52, was appointed as our executive Director, Chairman and the Chief Executive Officer of the Board on 8 September 2011. He is responsible for the overall planning and strategic development of our Group's business. He joined Tongtai as a director and vice chairman in March 1995 and co-founded Shandong Tiantong with Mr. Sun in 2003 as a president and chairman of the board.

Mr. Yang graduated from Qinggong Worker University of Hangzhou (杭州輕工職工大學) focusing on food engineering in July 1988, and completed a course in Master of Business Administration in Renmin University of China in July 2001. Prior to founding our Group, he worked as an equipment technician in Linyi Canney (臨沂市罐頭廠) from September 1989 to May 1990. Between May 1990 and March 1995, he was the manager in the production technology department, the assistant of the general manager, the deputy chief engineer and deputy general manager of Linyi Carrie Enterprises Company (臨沂凱利實業公司). Between January 1998 and December 2012, he was the general manager and chairman of the board of Linyi Jinhua Food Company Limited (臨沂金花食品有限公司), a company established in the PRC and whose principal business is the processing of roasted food and nut products. Since January 1995, he has been the general manager and chairman of the board of Yuanyu, whose principal business is operating of and acting as agent for import and export of various types of goods and technology.

Mr. Sun Xingyu (孫興宇)

Mr. Sun Xingyu, aged 55, was appointed as our executive Director on 10 November 2014. He is responsible for financial management of our Group. He has been a director of Tongtai since December 1996 and co-founded Shandong Tiantong in 2003, being responsible for the financial management of our Group.

Mr. Sun graduated from Finance School of Shandong Province (山東省財政學校) in July 1981 and completed a course in Chinese Language and Literature in Shandong Radio and Television University (山東廣播電視大學) in November 1988. Prior to joining our Group, he has been the deputy general manager of Yuanyu, whose principal business is operating and acting as agent for import and export of various types of goods and technology. Between January 1998 and December 2012, he was the deputy general manager of Linyi Jinhua Food Company Limited (臨沂金花食品有限公司), a company established in the PRC and whose principal business is processing of roasted food and nuts products.

Non-executive Directors

Ms. Chu Yinghong (褚迎紅)

Ms. Chu Yinghong, aged 55, was appointed as our non-executive Director on 10 November 2014. She is responsible for providing advice on strategic development of our Group. She joined our Group in January 2003 as a Director of Shandong Tiantong. Ms. Chu is the spouse of Mr. Yang, one of our executive Directors.

Ms. Chu completed a course in Chinese Language and Literature in Shandong Radio and Television University (山東廣播電視大學) in November 1988. Prior to joining our Group, she has been employed by Linyi Carrie Enterprises Company (臨沂凱利實業公司) as an assistant engineer during the period of July 1993 and July 1996. Since September 2000, she has been the deputy general manager, general manager and the chairman of the board of Linyi Jinhua Food Company Limited (臨沂金花食品有限公司).

Mr. Wong Yim Pan (黃炎斌)

Mr. Wong Yim Pan, aged 48, was appointed as our Director on 10 November 2014 and re-designated as our non-executive Director on 16 June 2015. He is responsible for providing advice on strategic development of our Group. Mr. Wong graduated from The University of Hong Kong with a degree of bachelor of science in engineering in December 1989. He obtained a master degree in business administration from The Chinese University of Hong Kong in October 1992.

Mr. Wong was conferred by Hong Kong Institute of Certified Public Accountants as a certified public accountant in July 1995. He has been a fellow of The Association of Chartered Certified Accountants since February 2000, and of The Institute of Chartered Accountants in England & Wales since April 2015. He has been an associate of The Chartered Institute of Management Accountants since August 1998, and of The Hong Kong Institute of Chartered Secretaries since August 2011. He has also been a CFA charter holder of the CFA Institute since September 2006, and a member of The Association of Corporate Treasurers since January 2006.

Mr. Wong worked as a supervisor of the audit division of Coopers & Lybrand (now known as PricewaterhouseCoopers), an international audit firm at that time from December 1992 to March 1996. He has been the assistant manager of New World Infrastructure Limited, an infrastructure company then listed on the Stock Exchange (stock code: 0301), from March 1996 to May 2000. He worked at Alcatel-Lucent, a global telecommunications equipment company as the internal auditor, senior internal auditor and audit manager from May 2000 to August 2010, and worked as the senior audit manager of Shui On Land Limited, a property development company listed on the Stock Exchange (stock code: 0272) from September 2010 to February 2012. Afterwards, he has been the chief operating officer of Ocean Equity Partners Limited since March 2012, being responsible for project appraisal, operational control and management, accounting and administrative matters.

Independent Non-executive Directors

Mr. Liang Zhongkang (梁仲康)

Mr. Liang Zhongkang, aged 71, was appointed as our independent non-executive Director on 16 June 2015. Mr. Liang completed a course in food engineering in Wuxi Institute of Light Industry (無錫輕工業學院) (now known as Jiangnan University (江南大學) in August 1968. He was conferred as a senior engineer by China Light Industry Association (中國輕工總會) in December 1993.

Mr. Liang worked as a senior engineer in the division of food and paper manufacturing of China Light Industry Association (中國輕工總會) from July 1987 to December 2000. He is currently the chairman of the executive committee of China Canned Food Industry Association (中國罐頭工業協會), and he has also been an independent director of ORG Packaging Co., Ltd. (奧瑞金包裝股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002701), since January 2011.

Mr. Tsang Yuen Wai (曾苑威)

Mr. Tsang Yuen Wai, aged 40, was appointed as our independent non-executive Director on 16 June 2015. Mr. Tsang graduated from The Hong Kong Polytechnic University with a degree of bachelor of arts in accountancy in November 1998.

Mr. Tsang has been admitted as a Fellow of The Association of Chartered Certified Accountant since May 2007. Mr. Tsang is currently a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Tsang has worked in PricewaterhouseCoopers Ltd. as an associate and was promoted to manager during the period from September 1998 to August 2003. He has been the general manager of SPRO Technology Consulting Limited since April 2008.

Ms. Hui Yung Yung Janet (許蓉蓉)

Ms. Hui Yung Yung Janet, aged 50, was appointed as our independent non-executive Director on 16 June 2015. Ms. Hui graduated from The University of Hong Kong with a bachelor degree in laws in November 1987, and completed a course of Postgraduate Diploma in Chinese Law, which was a distance learning course jointly organised by Tsinghua University and HKU School of Professional and Continuing Education, in December 2002.

Ms. Hui was admitted as a solicitor of the High Court of Hong Kong in September 1990. She was an associate of Johnson Stokes & Master (now known as Mayer Brown JSM) from May 1992 to June 1995. She worked as a solicitor in the Asian department of a law firm in New Zealand from April 1996 to February 1999. She acted as the senior legal consultant of Wharf T&T Limited from January 1999 to July 2004. Afterwards, she joined Jun He Law Offices in August 2004, and has been a partner of the firm since 2007.

Senior Management

Ms. Lv Chunxia (呂春霞), aged 51, is our deputy general manager who joined our Group in January 2003 being responsible for overseeing our production, product quality inspection and product development.

Ms. Lv completed a course in Chinese Language and Literature in Shandong Radio and Television University (山東廣播電視大學) in July 1988. Between December 1980 and January 2003, Ms. Lv acted as a quality inspector, chief inspector and the deputy director of Linyi Cannery (臨沂罐頭廠). She has been accredited as the Expert of Canned Food Technology Committee of China National Food Industry Association (中國食品工業協會罐藏食品科技工作委員會專家委員) in August 2014. She has also been appointed as a committee member of Expert Committee of Focus Working Group on National Canned Food Safety and Inspection by Sampling and Risk Detection (國家罐頭類食品安全監督抽檢和風險檢測牽頭單位工作組專家委員會) since February 2015 for a term of three years.

Mr. Ho Ho Tung Armen (何浩東), aged 39, was appointed as our Chief Financial Officer and Company Secretary in February 2015. Mr. Ho is currently a member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor degree in accountancy from City University of Hong Kong in November 1998 and a master degree in financial economics, which is a distance learning programme, from University of London in December 2002. He has been enrolled in the course of Executive MBA Program Asia by The University of Chicago Booth School of Business since June 2014.

Mr. Ho was an associate and a senior associate of PricewaterhouseCoopers Ltd. from September 1998 to October 2002. He worked as an assistant manager of KPMG UK Limited from October 2003 to October 2004. He then worked as a corporate finance executive of Grant Thornton Services LLP from November 2004 to May 2006. From June 2006 to December 2008, he worked in Evolution Securities China Ltd, an investment bank based in London as corporate finance manager. He worked as the vice president of Wisdom Asset Management Limited, an asset management company from June 2009 to March 2011 and Hermes Capital Limited, a financial advisory services company from March 2011 to April 2012. Prior to joining our Group, he has also worked as the chief financial officer at Tuenbo Management Company Limited, a company focusing on project developments in Hong Kong and China during the period of October 2013 to August 2014.

Ms. Jiang Xiulan (姜秀蘭), aged 44, is our human resources manager and internal audit manager. She is responsible for overseeing matters relating to human resources and internal control of our Group. She joined our Group in January 2003 as a manager in the quality control department.

Ms. Jiang completed a course specialising in accounting and auditing in Heilongjiang Business School (黑龍江商學院) in July 1991. Between October 1992 and January 2003, she was the statistician, Chief of Enterprise Management of Linyi Cannery (臨沂罐頭廠).

Mr. Jiang Yubao (蔣余寶), aged 42, joined Tongtai of our Group in August 1995. He was then transferred to Shandong Tiantong in January 2003, being the trading manager and responsible for overseeing sales and import and export matters of our Group.

Mr. Jiang graduated from Linyi Business School of Shandong Province (山東省臨沂商業學校) in July 1995 studying accountancy and statistics. He joined our Group upon his graduation.

Report of the Directors

The directors of the Company (the "Directors") are pleased to present their annual report with the audited consolidated financial statements of the Company and its subsidiaries and the independent auditor's report for the year ended 31 December 2015.

Corporate Information

The Company was incorporated in the British Virgin Islands ("BVI") with limited liability on 8 September 2011. The Company's shares were listed on the Main Board of the Hong Kong Stock Exchange on 7 July 2015 (the "Listing Date").

Principal Activities

The Company is an investment holding company. The Group is principally engaged in (i) the production and sales of processed fruit products packaged in metal containers, plastic cups and glass containers and (ii) trading of fresh fruit. Processed fruit products are sold on an OEM basis and under its own brands.

Business Review

Key financial and business performance indicators

A review of the Group's business and the analysis using the financial key performance indicators are set out on page 7 to 17 of this annual report under the paragraphs headed "Business Review" and "Financial Review" in the section headed "Management Discussion and Analysis" of this annual report. In summary, the Group (i) recorded a remarkable performance in 2015 with revenue and adjusted net profit increased by 23.7% and 29.0% respectively, including approximately 99.4% year-on-year revenue growth of our own brand products; (ii) processed fruit products sold on an OEM basis contributed the most to the total revenue of the Group which represented 67.2% of the total revenue during the year ended 31 December 2015; and (iii) revenue contributed by fresh fruit sales and others represented 14.7% of the total revenue for the year ended 31 December 2015 and was broadly in line with last year.

Environmental, Social and Governance

Our Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributes to the community in which we conduct our businesses and creates a sustainable return. For example, we have initiated programmes such as organising activities for children in Linyi, Shandong Province to the theater to watch a Garfield show, hosting fun fairs, supporting International Working Women's day and arranging elderly home visits. All our efforts in this area reflect our sincere desire to contribute to the society.

Environmental protection

Our Group has always kept our sustainable development that aligns with the harmonious relationship to the environment. We always insist on the ideology of environmental protection, green, conventional, safe and clean. During the year of 2015 and up to the date of this annual report, we have invested over RMB10 million in upgrading our sewage treatment facilities and gas boilers. Our new gas boilers are the most advanced energy saving condensing heat recovery boilers and replaced the old coal-fired boilers. The energy saving function of the boilers reduces their heat loss and the temperature of the exhaust gas, and thereby improving their thermal efficiency, saving energy and reducing the operating costs. The new facilities have not only set a solid foundation for our Group's capacity expansion up to approximately of 130,000 tonnes in the next three years, but also contributed to the sustainable development in terms of environmental protection.

Workplace Quality

The Group also recognises the importance of having good working relationship with its employees. The Group has not experienced any significant problems with its employees nor significant labour disputes or industrial actions. The Directors believe that the Group has good working relationship with its employees as a whole.

Compliance with laws and regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing obligation to monitor adherence and compliance with all significant legal and regulatory requirements. As far as the Company is aware and save as except for certain deviation from the CG Code as set out under Appendix 14 of the Listing Rules, it has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

Principal risks and uncertainties

The Group is principally engaged in the manufacturing and trading of processed fruits products and fresh fruits. It will be exposed to a variety of key risks including credit risk, interest risk, liquidity risk, operational risk and market risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 3 "Financial risk management" to the Consolidated Financial Statements of this annual report. The above are not intended to be an exhaustive list of all principal risks and uncertainties facing the Group. These may change over time as new risks and uncertainties emerge and others cease to be of concern.

Future business development

In the coming future, we will continue to procure new international well-known brand customers for our OEM business.

In 2016, expanding the market coverage has become a major development direction for the Group's own brand products. We believe the new distributorship system we adopted in 2015 can further enlarge our product's geographic coverage in the PRC and we will continue to increase the number of distributors. Following the success of extending the market to Hong Kong, we endeavor to bring our own brand products to other overseas markets by participating in international trade fair for higher exposure.

In the future, the Group will ride on the solid foundation of its OEM business to capture the significant opportunities on our own brand products.

Results and Dividend

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on page 39. The Board has proposed a final dividend of HK$0.03 per share for the year ended 31 December 2015, to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 31 May 2016. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company (the "2016 AGM"), the final dividend will be paid on or about 21 June 2016.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2016 AGM, the register of members of the Company will be closed from 17 May 2016 to 19 May 2016 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2016 AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 16 May 2016.

For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from 26 May 2016 to 31 May 2016 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 25 May 2016.

Use of Proceeds from IPO

On 7 July 2015, the Company's shares were listed on the main board of the Stock Exchange. A total of 250,000,000 shares were issued to the public at HK$1.28 per share for a total gross proceeds of HK$320 million. The total net proceeds raised form the IPO of the Company were approximately HK$274.9 million after the deduction of related listing expenses. The use of proceeds has been consistent with the disclosure in the prospectus of the Company dated 24 June 2015. Up to the date of this annual report, the respective use of the net proceeds is as follows:

Net proceeds from IPO

	Available RMB million Equivalent	Used RMB million Equivalent	Unused RMB million Equivalent
Capital expenditure on new production facilities	113.4	42.0	71.4
Expand distribution and sales network	34.0	2.3	31.7
Enhance our brand awareness and promote the on-line shopping platform	34.0	0.9	33.1
Enhance our research and development capabilities	11.3	–	11.3
Enhance the information technology systems and infrastructure	11.3	11.3	0.0
Working capital and general corporate purposes	22.7	22.7	0.0

Major Customers and Suppliers

During the year, the aggregate sales to the Group's five largest customers accounted for approximately 38.0% of the Group's total revenue and sales to the Group's largest customer was approximately 9.6% of the Group's total revenue.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 26.8% of the Group's total purchases, and the purchases attributable to the Group's largest supplier was approximately 7.9% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had interests in the Group's five largest customers or suppliers.

Property, Plant and Equipment

Details of the movement in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

Reserves

As at 31 December 2015, the Company's reserves available for distribution amounted to approximately RMB94.7 million. Under the BVI Business Companies Act, the reserves of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be distributed, the Company shall be able to pay its debts as they fall due in the ordinary course of business. Details of the movements in reserves of the Group and of the Company during the year are set out in notes 21 and 30 to the consolidated financial statements respectively.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the BVI, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Tax Relief

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

Financial Summary

A summary of the consolidated results of the Group for the past four financial years and of its consolidated assets and liabilities as at the end of the past four financial years is set out on page 86 of this annual report.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

Equity-linked Agreements

Other than the Share Option Scheme as disclosed in this annual report and note 22 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Share Option Scheme

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

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

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

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

(iv) any such other persons who in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

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

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 official 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 official 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 will remain effective for a period of ten years commencing from 16 June 2015. Details of the Scheme are set out in note 22 to the consolidated financial statements.

On 6 October 2015, the Company has granted a total of 6,000,000 share options to subscribe for a total number of 6,000,000 ordinary shares to 60 employees. As at 31 December 2015, there were a total of 6,000,000 Shares available for issue pursuant to options that were granted under the Scheme, representing approximately 0.6% of the entire issued share capital of the Company as at the date of this annual report.

Movements of the Company's share options during the year ended 31 December 2015 were as follows:

	Number of share options							
	Outstanding at Listing Date	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2015	Date of Grant	Exercise period	Exercise price (HK$)	Price of the Company's share immediately before the grant date
Key management	–	–	–	1,020,000	6 October 2015	Note	1.70	1.70
Other employees	–	–	–	4,980,000	6 October 2015	Note	1.70	1.70
	–	–	–	6,000,000				

Note:

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

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

(b) 25% of the share options shall be exercisable during the period from 1 January 2017 to 31 December 2019 (upon vesting of the same on 31 December 2016 on the condition that the relevant grantee is still the employee of the Group at the material time); and

(c) 25% of the share options shall be exercisable during the period from 1 January 2018 to 31 December 2020 (upon vesting of the same on 31 December 2017 on the condition that the relevant grantee is still the employee of the Group at the material time).

Subsidiaries

Details of the Company's subsidiaries as at the date of this annual report are set out in note 15 to the consolidated financial statements.

Retirement Benefit Scheme

As required by PRC regulations as well as mandatory rules of the PRC local governments, the Group participates in various social welfare schemes including pension, medical, maternity, work-related injury insurances, unemployment insurance and housing provident fund contributions. The Group is required under PRC law to make contributions to these schemes based on certain percentages of the salaries, bonuses and certain allowances of the employees of the Group in accordance with the respective regulatory requirement, up to a minimum amount specified by the relevant local governments from time to time.

The employee employed in Hong Kong is required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Ordinance (Chapter 485 of the Laws of Hong Kong).

The total expense recognised in profit or loss of approximately RMB2.3 million (2014: RMB4.6 million) represents contributions paid and payable to the retirement benefit scheme during the year ended 31 December 2015.

Donations

The Group is committed to contributing to the community in which we conduct our businesses. In 2015, we donated a total of HK$1 million for charitable purpose (2014: Nil). All our efforts in this area reflect our sincere desire to contribute to the society.

Directors

The Directors since the Listing Date and up to the date of this annual report were:

Executive Directors

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

Non-executive Directors

Ms. Chu Yinghong
Mr. Wong Yim Pan

Independent Non-executive Directors

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

According to article 74(3) of the Articles of Association of the Company, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. As all Directors were appointed by the Board, all of them shall retire and, being eligible, offer themselves for re-election at the annual general meeting.

In compliance of Rule 3.10(1) of the Listing Rules, the Board currently comprises three independent non-executive Directors, representing more than one-third of the Board.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 24 to 26 to this annual report.

Directors' Service Contracts

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of 3 years with effect from 16 June 2015.

Each of our non-executive Directors and independent non-executive Directors has signed a letter of appointment with our Company respectively. The term of office of our non-executive Directors and independent non-executive Directors is 3 years with effect from 16 June 2015.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Interests in Transactions, Arrangement or Contracts

No transactions, arrangement or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or the controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, and there were no transactions, arrangement or contracts of significance for the provision of services to the Group by the controlling shareholder of the Company.

Directors' Indemnity

According to the articles of association of the Company, the Directors for the time being of the Company acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty in their respective offices or trusts.

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended 31 December 2015.

Related Parties Transactions

Details of related party transactions entered into during the year were disclosed in note 29 to the consolidated financial statements. These related party transactions either did not constitute connected transactions under the Listing Rules or were discontinued prior to the listing of the Company's shares on the Stock Exchange.

Directors' Interests in Competing Businesses

None of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Independent Non-executive Directors

Each of the Independent Non-executive Directors has confirmed their independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all of the Independent Non-executive Directors to be independent in accordance to Rule 3.13 of the Listing Rules.

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 31 December 2015, 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	442,079,000 (note 1)	44.2%
Ms. Chu Yinghong	Interest of spouse	442,079,000 (note 2)	44.2%
Mr. Sun Xingyu	Interest of a controlled corporation	110,000,000 (note 3)	11.0%
Mr. Tsang Yuen Wai	Beneficial owner	192,000 (note 4)	0.02%

Notes:

1. The shares are held by Wealthy Active Limited and is wholly-owned by Mr. Yang Ziyuan. Mr. Yang Ziyuan is deemed to be interested in these shares under the SFO.
2. Ms. Chu Yinghong is the spouse of Mr. Yang Ziyuan and is deemed to be interested in the shares held by Mr. Yang Ziyuan.
3. The shares are held by Wealthy Maker Limited and is wholly-owned by Mr. Sun Xingyu. Mr. Sun Xingyu is deemed to be interested in these shares under the SFO.
4. Mr. Tsang Yuen Wai, an independent non-executive Director, has purchased certain Shares but due to inadvertent oversight, he has filed the relevant notice beyond the stipulated deadline.

Save as disclosed above, as at 31 December 2015, 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.

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

As at 31 December 2015, 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 Directors	Capacity/Nature of interest	Number of shares held	Approximate percentage of total issued share capital
Wealthy Active Limited (note 1)	Beneficial owner	442,079,000	44.2%
Wealthy Maker Limited (note 2)	Beneficial owner	110,000,000	11.0%
Sino Red Limited (note 3)	Interest held by controlled corporations	76,111,000	7.6%

Notes:

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

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

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

Save as disclosed above, so far as is known to the Directors of the Company, no other person (other than the Directors and chief executive of the Company) had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which were or required to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or required to be recorded in the register required under section 336 of the SFO as at 31 December 2015.

Corporate Governance Practice

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report as set out on pages 18 to 23 of this annual report.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, since the Listing Date and up to the date of this annual report, at least 25% of the Company's issued shares were held by the public as required under Rule 8.08 of the Listing Rules.

Review of the Final Results by Audit Committee

The Audit Committee has reviewed together with the management and the Company's independent auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, including the review of the audited consolidated financial statements for the year ended 31 December 2015.

Auditor

The consolidated financial statements for the year ended 31 December 2015 were audited by PricewaterhouseCoopers. A resolution for the reappointment of PricewaterhouseCoopers as the Company's independent auditor and authorising the Board to fix its remuneration will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Tianyun International Holdings Limited

Yang Ziyuan
Chairman

Hong Kong, 30 March 2016

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF TIANYUN INTERNATIONAL HOLDINGS LIMITED
(incorporated in the British Virgin Islands with limited liability)

We have audited the consolidated financial statements of Tianyun International Holdings Limited (the "Company") and its subsidiaries set out on pages 39 to 85, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	*6*	**553,618**	447,678
Cost of sales	*7*	**(381,628)**	(312,307)
Gross profit		**171,990**	135,371
Other income	*6*	**345**	1,404
Selling and distribution expenses	*7*	**(11,390)**	(10,985)
General and administrative expenses	*7*	**(30,329)**	(9,894)
Operating profit		**130,616**	115,896
Finance income		**266**	59
Finance costs		**(1,865)**	(2,438)
Finance costs – net	*9*	**(1,599)**	(2,379)
Profit before income tax		**129,017**	113,517
Income tax expense	*10*	**(32,100)**	(24,206)
Profit for the year attributable to equity holders of the Company		**96,917**	89,311
Total comprehensive income for the year attributable to equity holders of the Company		**96,917**	89,311
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB cents)			
– Basic earnings per share	*11*	**11.12**	11.91
– Diluted earnings per share	*11*	**11.12**	11.91

The notes on pages 44 to 85 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	*13*	**59,874**	–
Property, plant and equipment	*14*	**126,925**	72,514
Prepayment	*18*	**45,515**	–
		232,314	72,514
Current assets			
Inventories	*16*	**56,220**	41,071
Trade and other receivables	*18*	**71,036**	49,635
Cash and cash equivalents	*19*	**226,995**	31,595
		354,251	122,301
Total assets		**586,565**	194,815
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*20*	**248,057**	1
Reserves	*21*	**241,225**	118,329
Total equity		**489,282**	118,330
LIABILITIES			
Current liabilities			
Trade payables	*23*	**9,175**	12,365
Accruals and other payables	*24*	**15,540**	16,282
Amount due to a director	*29(c)*	**–**	7,311
Amount due to the immediate holding company	*29(c)*	**5**	20
Amount due to a related company	*29(c)*	**–**	90
Bank borrowings	*25*	**68,000**	33,000
Current income tax liabilities		**4,563**	7,417
Total current liabilities		**97,283**	76,485
Total equity and liabilities		**586,565**	194,815

The notes on pages 44 to 85 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 39 to 85 were approved and authorised for issue by the Board of Directors on 30 March 2016 and were signed on its behalf.

Mr. Yang Ziyuan
Director

Mr. Sun Xingyu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to equity holders of the Company						
	Share capital RMB'000	**Capital reserve RMB'000**	**Merger reserve RMB'000**	**Statutory reserve RMB'000**	**Share option reserve RMB'000**	**Retained earnings RMB'000**	**Total equity RMB'000**
Balance at 1 January 2014	1	–	(3,100)	2,500	–	40,111	39,512
Comprehensive income							
Profit for the year	–	–	–	–	–	89,311	89,311
Total comprehensive income for the year	–	–	–	–	–	89,311	89,311
Transaction with owners							
Waiver of amount due to the immediate holding company	–	59,507	–	–	–	–	59,507
Dividends relating to 2013 *(Note 12)*	–	–	–	–	–	(40,000)	(40,000)
Dividends relating to 2014 *(Note 12)*	–	–	–	–	–	(30,000)	(30,000)
Total transactions with owners	–	59,507	–	–	–	(70,000)	(10,493)
Balance at 31 December 2014	1	59,507	(3,100)	2,500	–	59,422	118,330

The notes on pages 44 to 85 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to equity holders of the Company						
	Share capital RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2015	1	59,507	(3,100)	2,500	–	59,422	118,330
Comprehensive income							
Profit for the year	–	–	–	–	–	96,917	96,917
Total comprehensive income for the year	–	–	–	–	–	96,917	96,917
Transaction with owners							
Waiver of amount due to the immediate holding company	–	31,156	–	–	–	–	31,156
Capitalisation issue *(Note 20)*	6,000	(6,000)	–	–	–	–	–
Shares issued pursuant to the global offering *(Note 20)*	242,056	–	–	–	–	–	242,056
Employees share option scheme:							
– share-based compensation expenses *(Note 21)*	–	–	–	–	823	–	823
Total transactions with owners	248,056	25,156	–	–	823	–	274,035
Balance at 31 December 2015	248,057	84,663	(3,100)	2,500	823	156,339	489,282

The notes on pages 44 to 85 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
		Year ended 31 December	
Cash flows from operating activities			
Cash generated from operations	*26(a)*	**97,838**	103,757
Interest paid		**(3,593)**	(3,345)
Income tax paid		**(34,954)**	(22,907)
Net cash generated from operating activities		**59,291**	77,505
Cash flows from investing activities			
Purchase of property, plant and equipment		**(58,860)**	–
Purchases of leasehold land and land use rights		**(60,598)**	(36,042)
Prepayment paid for purchase of land use rights and property, plant and equipment		**(45,515)**	–
Proceeds from disposal of property, plant and equipment	*26(b)*	**20**	1
Decrease in restricted bank deposits		**–**	1,500
Interest received		**266**	59
Net cash used in investing activities		**(164,687)**	(34,482)
Cash flows from financing activities			
Advances from a director		**–**	900
Repayments to a director		**(7,311)**	(12,309)
Repayment to a related company		**(90)**	(100)
Net contributions from the immediate holding company		**31,141**	59,527
Proceeds from bank borrowings		**68,000**	33,000
Repayments of bank borrowings		**(33,000)**	(40,500)
Dividends paid to the then owners of a company now comprising the Group		**–**	(70,000)
Proceeds from issuance of ordinary shares		**256,000**	–
Share issuance costs		**(13,944)**	–
Net cash generated from/(used in) financing activities		**300,796**	(29,482)
Net increase in cash and cash equivalents		**195,400**	13,541
Cash and cash equivalents at beginning of year		**31,595**	18,054
Cash and cash equivalents at end of year	*19*	**226,995**	31,595

The notes on pages 44 to 85 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1 General information of the Group and Group organisation

1.1 General information

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

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

The Company has listed its shares on the Main Board of Hong Kong Stock Exchange on 7 July 2015.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

1.2 Reorganisation

In preparation for listing of the Company's shares on the Exchange, the Company underwent series of transactions (the "Reorganisation") to acquire all the equity interests of Linyi Tongtai Food Machine Manufacture Co., Ltd. ("Tongtai") and Shandong Tiantong Food Co., Ltd. ("Shandong Tiantong", the major operating subsidiary) (collectively the "Operating Companies") from the then shareholders of Tongtai and Shandong Tiantong.

Prior to the Reorganisation, 75% equity interests of Tongtai was held by an independent third party, and 25% equity interests of Tongtai was held by Linyi Yuanyu Trading Co., Ltd. ("Yuanyu"), a related company collectively held by Mr. Yang Ziyuan ("Mr. Yang"), Mr. Sun Xingyu ("Mr. Sun") and an independent third party. 100% equity interests of Shandong Tiantong was collectively held by Mr. Yang and Mr. Sun.

Key procedures of the Reorganisation are as follows:

(a) Incorporation of the Company and Tianyi Holding (Hong Kong) Limited ("Tianyi Hong Kong")

- On 8 September 2011, the Company was incorporated in the British Virgin Islands. Upon its incorporation, 100 Shares of the Company were issued and allotted to Tiantong Fruit Co., Ltd. ("Cayman Tiantong").
- On 26 September 2011, Tianyi Hong Kong was incorporated in Hong Kong. Upon its incorporation, 100 Shares of Tianyi Hong Kong were issued and allotted to the Company.

(b) Acquisition of all the equity interest of Tongtai:

- On 30 December 2011, Tianyi Hong Kong has acquired 75% equity interests of Tongtai from the independent third party at a consideration of approximately RMB885,000, which was determined with reference to the then share capital of Tongtai. The transfer of 75% equity interests in Tongtai to Tianyi Hong Kong was completed on 10 January 2012.
- On 1 March 2012, Tianyi Hong Kong has acquired the remaining 25% equity interests of Tongtai from Yuanyu at a consideration of approximately RMB295,000, which was determined with reference to the then share capital of Tongtai. The transfer of 25% equity interests in Tongtai to Tianyi Hong Kong was completed on 20 March 2012.

1 General information of the Group and Group organisation *(continued)*

1.2 Reorganisation *(continued)*

(c) Acquisition of all the equity interest of Shandong Tiantong:

- On 20 February 2012, Tongtai has acquired the entire equity interests of Shandong Tiantong from Mr. Yang and Mr. Sun at a consideration of RMB8,100,000, which was determined with reference to the then net assets carrying amounts of Shandong Tiantong. The transfer of the entire equity interests of Shandong Tiantong to Tongtai was completed on 20 February 2012.

Upon completion of the Reorganisation, the Company became the holding company of the Operating Companies.

1.3 Basis of presentation

Pursuant to the Reorganisation, the Operating Companies together with the Business are transferred to and held by the Company through Tianyi Hong Kong. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Business with no change in management of such business and the ultimate owners of the Business remain the same throughout all the years presented. Accordingly, the consolidated financial statements of the Group are presented using the carrying values of the Business under Tianyi Hong Kong for all years presented.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) The following amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015

HKAS 19 (2011) (Amendment)	Defined benefit plans: Employee contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

Amendment to HKAS 19 – Defined benefit plans: employee contributions

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRSs 2010-2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'.

- HKFRS 8, 'Operating segments'

  The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

- HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets'

  Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

- HKAS 24, 'Related Party Disclosures'

  The reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

Amendments from annual improvements to HKFRSs 2011-2013 Cycle, on HKFRS 3, 'Business combinations', HKFRS 13, 'Fair value measurement' and HKAS 40, 'Investment property'.

- HKFRS 3, 'Business combinations'

  It clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

- HKFRS 13, 'Fair value measurement'

  It clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) The following amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015 (continued)

- HKAS 40, 'Investment property'

  It clarifies that the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property.

The adoption of these amendments to existing standards has not led to any significant changes in the accounting policies applied in these consolidated financial statements, and has no material effect on the Group's results and financial position for the current or prior accounting periods reflected in these consolidated financial statements.

(b) The following are new standards and amendments to standards have been issued but are not effective for financial year beginning 1 January 2015, and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture	To be determined
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Lease	1 January 2019
HKAS 16 and HKAS 38 (Amendments)	Classification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle	1 January 2016

The Group has already commenced but not yet completed, an assessment of the impact of adoption of these new standards and amendments to standards to the Group and is not yet in a position to state whether these would have a significant impact on the Group's results of operations and financial position.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(c) New Hong Kong Companies Ordinance

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 Summary of significant accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation (continued)

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the statement of comprehensive income.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO") of the Group that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the statement of comprehensive income during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining period of the lease or useful lives
Building	20 years
Furniture and fixtures	5 years
Plant and machinery	10 years
Motor vehicles	5 years
Office and computer equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts, and are recognised within 'General and administrative expenses' in the statement of comprehensive income.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

2.6 Leasehold land and land use rights

All land in the People's Republic of China (the "PRC") is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as leasehold land and land use rights, which are amortised over the lease periods using the straight-line method. The leasehold land and land use rights are stated at historical cost less accumulated amortisation and impairment losses. When there is impairment, the impairment is expensed in the consolidated statement of comprehensive income.

2.7 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statements of financial position (Notes 2.12 and 2.13).

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets *(continued)*

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.10 Impairment of financial assets

The Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the carrying amount of an asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies *(continued)*

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods comprises raw materials, direct labours, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 Summary of significant accounting policies *(continued)*

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 Summary of significant accounting policies *(continued)*

2.18 Current and deferred income tax *(continued)*

(b) Deferred income tax (continued)

Outside basis differences *(continued)*

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF"), a defined contribution plan. Under the MPF, each of the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HK$1,500 per person per month and any excess contributions are voluntary.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

2 Summary of significant accounting policies *(continued)*

2.19 Employee benefits *(continued)*

(b) Pension obligations (continued)

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the provincial governments.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Share-based payments

Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2 Summary of significant accounting policies *(continued)*

2.20 Share-based payments *(continued)*

Equity-settled share-based payment transactions (continued)

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, net of rebates and discounts. Rebates and discounts granted to customers are classified as a reduction of revenue. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) *Sales of goods*

Sales of goods are recognised when the transfer of risks and rewards of ownership, which generally considers with the time when the goods are delivered to customers and title has passed.

(b) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets.

2 Summary of significant accounting policies *(continued)*

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated statement of comprehensive income on a straight-line basis over the period of lease.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge the risk exposures.

Financial risk management is carried out by the finance department under the supervision of the CEO and the board of directors of the Company. The CEO and the board of directors provides principles for overall risk management.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("USD") and Hong Kong dollars ("HK$"). Foreign exchange risk arises from future commercial transactions, recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2015, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the post-tax profit for the year would have been approximately RMB492,000 (2014: RMB650,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated trade receivables.

As at 31 December 2015, if RMB had strengthened/weakened by 5% against HK$ with all other variables held constant, the post-tax profit for the year would have been approximately RMB8,010,000 (2014: RMB1,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated cash and cash equivalents.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank balances at floating interest rates and bank borrowings. Bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balances held at variable rates. The Group's bank borrowings at fixed rates expose the Group to fair value interest rate risk. During 2015 and 2014, the Group's bank borrowings at fixed rates were denominated in RMB.

Details of the Group's bank borrowings are disclosed in Note 25. The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December 2015, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB183,000 (2014: RMB13,000) lower/higher, mainly as a result of higher/lower of interest expenses on variable rates bank borrowings.

(b) Credit risk

Credit risk is managed on a group basis. The credit risk of the Group mainly arises from cash and cash equivalents, bank deposits and trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

As at 31 December 2015 and 2014, for cash and cash equivalents and bank deposits, they are all deposited or traded with listed banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

As at 31 December 2015, top 3 customers of the Group accounted for approximately 33% (2014: 31%) to the trade receivables of the Group. The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers. Management makes periodic assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the financial statements.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position. The Group aims to maintain flexibility in funding by keeping sufficient bank balances and committed credit lines available.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

As at 31 December 2015 and 2014, all of the Group's financial liabilities were due for settlement contractually within 12 months or repayable on demand, the impact of discounting is not significant. The amounts of the Group's financial liabilities as per consolidated statements of financial position were the contractual undiscounted cash flows.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debts divided by total equity. Total debts are calculated by aggregating the bank borrowings and the non-trade nature of amount due to a director, immediate holding company and a related company as at 31 December 2015 and 2014.

The gearing ratios were as follows:

	2015 RMB'000	2014 RMB'000
Total debts	**68,005**	40,421
Total equity	**489,282**	118,330
Gearing ratio	**13.9%**	34.2%

The decrease in the gearing ratio during 2015 was resulted primarily from the fund raised from shares issued pursuant to the global offering.

3.3 Fair value estimation

The carrying values of the Group's financial assets, including trade and other receivables and cash and cash equivalents, and financial liabilities, including trade and other payables, amount due to the immediate holding company and bank borrowings, approximate their fair values due to their short maturities.

3.4 Offsetting financial assets and financial liabilities

The Group has no financial assets and financial liabilities, which is subject to offsetting, enforceable master netting arrangements and similar agreements.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each statement of financial position date.

(c) Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment is recognised in the year in which such estimate has been changed.

(d) Income taxes

The Group is mainly subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(e) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

4 Critical accounting estimates and judgements *(continued)*

(f) Estimated impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related assets values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

(g) Share-based payment

The Group is required to expense its employees' share-based compensation awards in accordance with HKFRS 2 "Share-based payment". The Group measures share-based compensation cost based on the fair value on the grant date of each award. This cost is recognised over the period during which an employee is required to provide service in exchange for the award or the requisite service period, usually the vesting period, and is adjusted for actual forfeitures that occur before vesting.

The valuation of the fair value of the share options granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to vest. Where the outcome of the number of options that are vested is different, such difference will impact the profit or loss in the subsequent remaining vesting period of the relevant share options.

The fair values were calculated using the Binomial Option Pricing model at the date of grant. The inputs into the model were as follows:

Stock price as of the date of grant	HK$1.7
Exercise price	HK$1.7
Expected volatility (Note i)	35.54% – 36.03%
Expected life	3.24 – 5.24 years
Risk-free rate (Note ii)	0.61% – 0.93%
Expected dividend yield	0%

Note i: Expected volatility was determined with reference to volatility of the stock returns of comparable companies in the packaged food industry in Hong Kong.

Note ii: Risk-free rates was determined with reference to the yield of fund notes issued by the Hong Kong Monetary Authority as of the grant date.

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

The Company is domiciled in the British Virgin Islands while the Group operates its business in the PRC. For the year ended 31 December 2015, the Group's revenue of RMB493,201,000 (2014: RMB413,237,000) was generated from customers in the PRC, and the Group's revenue of RMB60,417,000 (2014: RMB34,441,000) was generated from overseas customers. All non-current assets were located in the PRC.

Segment assets and liabilities

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

Information about major customers

External customers contribute over 5% of total revenue of the Group for any of the years ended 31 December 2015 and 2014 are as follows:

	Year ended 31 December	
	2015	**2014**
	RMB'000	**RMB'000**
Customer A	**53,347**	50,539
Customer B	**53,073**	51,214
Customer C	**37,217**	34,527
Customer D	**36,675**	32,779
Customer E	**29,948**	27,589

6 Revenue and other income

The Group is principally engaged in the production and sales of processed fruit products and trading of fresh fruit. Turnover consists of revenue from sales of fresh fruits and processed fruits products.

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Revenue		
Domestic sales	**493,201**	413,237
Direct overseas sales	**60,417**	34,441
Total sale of goods	**553,618**	447,678
Other income		
Government subsidies	**345**	1,404

7 Expenses by nature

Expenses included in 'cost of sales', 'selling and distribution expenses' and 'general and administrative expenses' are analysed as follows:

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Auditors' remuneration		
– Audit services	**1,248**	52
Cost of inventories sold	**359,269**	281,615
Depreciation of property, plant and equipment *(Note 14)*	**5,117**	3,572
Amortisation of leasehold land and land use rights *(Note 13)*	**724**	–
Employee benefit expenses (including directors' emoluments) *(Note 8)*	**18,078**	28,931
Legal and professional fees	**390**	488
Professional expense in respect of listing	**20,494**	1,650
Loss on disposal of property, plant and equipment *(Note 26(b))*	**106**	8
Operating lease payments	**639**	3,743
Other taxes	**7,173**	4,827
Transportation expenses	**5,542**	4,283
Foreign exchange gains, net	**(6,661)**	(624)
Others	**11,228**	4,641
Total cost of sales, selling and distribution expenses and general and administrative expenses	**423,347**	333,186

8 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Wages and salaries	**14,294**	24,380
Discretionary bonuses	**663**	–
Social security costs for the PRC employees	**2,277**	4,551
Defined contribution for Hong Kong employees – MPF	**21**	–
Share-based compensation expenses *(Note 21)*	**823**	–
	18,078	28,931

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 include two directors (2014: two) whose emoluments are reflected in the analysis shown in Note 31. The emoluments paid/payable to the remaining three (2014: three) individuals are as follows:

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Basic salaries, allowances and benefits in kind	**763**	227
Discretionary bonuses	**9**	–
Social security costs	**27**	10
Defined contribution — MPF	**21**	–
Share-based compensation expenses	**123**	–
	943	237

No emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals 2015	2014
Emolument bands (in Hong Kong dollars ("HK$"))		
Nil to HK$1,000,000	**3**	3

9 Finance costs, net

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance income		
– Interest income on short-term bank deposits	**266**	59
Finance costs		
– Interest expenses on bank borrowings	**(3,593)**	(3,345)
– Less: amounts capitalised on qualifying assets *(Note)*	**1,728**	907
	(1,865)	(2,438)
Finance costs, net	**(1,599)**	(2,379)

Note:

During the year, the Group has capitalised borrowing costs amounting to RMB1,728,000 (2014: RMB907,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 6.8% (2014: 9.1%).

10 Income tax expense

BVI income tax

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

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate at 16.5% for the years ended 31 December 2015 and 2014 on the estimated assessable profit for the years. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years.

PRC corporate income tax

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

The income tax expense of the Group for the years is analysed as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax:		
PRC corporate income tax	**32,100**	24,206

10 Income tax expense *(continued)*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rate applicable to profits of the Group's subsidiaries as follows:

	Year ended 31 December	
	2015	**2014**
	RMB'000	**RMB'000**
Profit before income tax	**129,017**	113,517
Tax calculated at domestic tax rates applicable to profits in the respective countries	**31,807**	28,327
Income not subject to tax	**(4,897)**	(4,207)
Expenses not deductible for tax purposes	**5,190**	5
Unrecognised tax loss	**–**	81
	32,100	24,206

11 Earnings per share

(a) Basic

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

	Year ended 31 December	
	2015	**2014**
Profit attributable to equity holders of the Company (RMB$'000)	**96,917**	89,311
Weighted average number of ordinary shares in issue (thousand)	**871,918**	750,000
Basic earnings per share (RMB cents)	**11.12**	11.91

The 100 ordinary shares issued upon incorporation and the newly issued shares of 749,999,900 under the capitalisation issue (Note 20) pursuant to the shareholder resolutions dated 11 June 2015 are adjusted in the weighted average number of ordinary share in issue as if the issues had occurred at 1 January 2014, the beginning of the earliest period reported.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2015, the Group has share options which may result in dilutive potential ordinary shares (2014: Nil). Its calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share prices of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per shares for the year ended 31 December 2015 equal basic earnings per share as the exercise of outstanding share options would be anti-dilutive.

12 Dividends

	Year ended 31 December	
	2015	**2014**
	RMB'000	**RMB'000**
Dividends relating to 2013	**–**	40,000
Dividends relating to 2014	**–**	30,000
	–	70,000

Dividends of RMB70,000,000 for the year ended 31 December 2014 represented dividends declared by Shandong Tiantong to the then owners of Shandong Tiantong based on the number of issued shares outstanding at relevant time.

On 30 March 2016, the board of directors proposed a final dividend of in respect of the year ended 31 December 2015 of HK$30,000,000, representing HK$0.03 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. This proposed final dividend is not reflected as a dividend payable as of 31 December 2015, but will be recorded as a distribution of reserve for the year ending 31 December 2016.

13 Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent the prepaid operating lease payments and their net book values are analysed as follows:

	Year ended 31 December	
	2015	**2014**
At 1 January	**–**	–
Addition	**60,598**	–
Amortisation *(Note 7)*	**(724)**	–
At 31 December	**59,874**	–

Amortisation of leasehold land and land use rights of RMB579,000 (2014: Nil) have been charged in 'cost of sales' and RMB145,000 (2014: Nil) have been charged in 'general and administrative expenses' for the year ended 31 December 2015.

As at 31 December 2015, the Group's leasehold land and land use rights were pledged to secure bank borrowings granted to the Group (Note 25).

14 Property, plant and equipment

	Building RMB'000	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2014								
Cost	–	35,592	70	15,619	1,849	2,115	–	55,245
Accumulated depreciation	–	(7,227)	(49)	(5,670)	(1,039)	(1,775)	–	(15,760)
Net book amount	–	28,365	21	9,949	810	340	–	39,485
Year ended 31 December 2014								
Opening net book amount	–	28,365	21	9,949	810	340	–	39,485
Additions	–	5,044	–	2,965	860	389	27,352	36,610
Transfer	–	505	–	1,050	–	–	(1,555)	–
Disposals *(Note 26(b))*	–	–	–	–	–	(9)	–	(9)
Depreciation *(Note 7)*	–	(1,755)	(6)	(1,512)	(187)	(112)	–	(3,572)
Closing net book amount	–	32,159	15	12,452	1,483	608	25,797	72,514
At 31 December 2014								
Cost	–	41,141	70	19,634	2,709	2,380	25,797	91,731
Accumulated depreciation	–	(8,982)	(55)	(7,182)	(1,226)	(1,772)	–	(19,217)
Net book amount	–	32,159	15	12,452	1,483	608	25,797	72,514
Year ended 31 December 2015								
Opening net book amount	**–**	**32,159**	**15**	**12,452**	**1,483**	**608**	**25,797**	**72,514**
Additions	**19,402**	**4,286**	**56**	**5,845**	**1,154**	**1,586**	**27,325**	**59,654**
Transfer	**–**	**–**	**–**	**1,787**	**–**	**–**	**(1,787)**	**–**
Disposals *(Note 26(b))*	**–**	**–**	**–**	**(126)**	**–**	**–**	**–**	**(126)**
Depreciation *(Note 7)*	**(461)**	**(2,009)**	**(7)**	**(2,095)**	**(277)**	**(268)**	**–**	**(5,117)**
Closing net book amount	**18,941**	**34,436**	**64**	**17,863**	**2,360**	**1,926**	**51,335**	**126,925**
At 31 December 2015								
Cost	**19,402**	**45,427**	**126**	**26,828**	**3,863**	**3,966**	**51,335**	**150,947**
Accumulated depreciation	**(461)**	**(10,991)**	**(62)**	**(8,965)**	**(1,503)**	**(2,040)**	**–**	**(24,022)**
Net book amount	**18,941**	**34,436**	**64**	**17,863**	**2,360**	**1,926**	**51,335**	**126,925**

Depreciation of RMB3,740,000 (2014: RMB2,752,000) has been charged in 'cost of sales' and RMB1,377,000 (2014: RMB820,000) has been charged in 'general and administrative expenses' for the year ended 31 December 2015.

As at 31 December 2015, the net book value of buildings was pledged to secure bank borrowings granted to the Group (Note 25).

Construction in progress as at 31 December 2015 and 2014 mainly comprises new plants and production lines being constructed in the PRC.

During the year ended 31 December 2015, the Group has capitalised borrowing costs amounting to RMB1,728,000 (2014: RMB907,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 6.8% per annum (2014: 9.1% per annum).

15 Subsidiaries

The following is a list of the principal subsidiaries as at 31 December 2015:

Name	Place of incorporation/ establishment and kind of legal entity	Nature of business and place of operation	Particulars of issued/ registered share capital	Effective equity interest held
Directly held by the Company:				
Tianyi Holding Hong Kong Ltd.	Hong Kong	Investment holding in Hong Kong	100 ordinary shares of HK$100	100%
Indirectly held by the Company:				
臨沂同泰食品機械製造有限公司 (Linyi Tongtai Food Machine Manufacture Co., Ltd.)	The PRC, limited liability company	Manufacturing and trading of food machinery in the PRC	Registered and paid-in capital of USD17,000,000	100%
山東天同食品有限公司 (Shandong Tiantong Food Co., Ltd.)	The PRC, limited liability company	Manufacturing and trading of fresh fruits and processed fruits products in the PRC	Registered and paid-in capital of RMB45,000,000	100%

Note:

(i) The registered and paid-in capital of Linyi Tongtai Food Machine Manufacture Co., Ltd. had increased from USD6,000,000 to USD17,000,000 during the current year.

(ii) The registered and paid-in capital of Shandong Tiantong Food Co., Ltd had increased from RMB5,000,000 to RMB45,000,000 during the current year.

16 Inventories

	As at 31 December 2015 RMB'000	2014 RMB'000
Raw materials	**6,277**	4,543
Work in progress	**9,340**	5,100
Finished goods	**40,603**	31,428
	56,220	41,071

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB359,269,000 (2014: RMB281,615,000) for the year ended 31 December 2015.

17 Financial instruments by category

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Assets as per consolidated statement of financial position		
– Trade receivables	**69,565**	48,549
– Other receivables (excluding prepayment)	**1,008**	652
– Cash and cash equivalents	**226,995**	31,595
Liabilities as per consolidated statement of financial position		
– Trade payables	**9,175**	12,365
– Accruals and other payables	**5,221**	2,565
– Amount due to a director	**–**	7,311
– Amount due to the immediate holding company	**5**	20
– Amount due to a related company	**–**	90
– Bank borrowings	**68,000**	33,000

18 Trade and other receivables

		As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Trade receivables	(a)	**69,565**	48,549
Prepayments	(b)	**45,978**	434
Other receivables	(b)	**1,008**	652
		116,551	49,635
Less: non-current portion: prepayment for land use rights and property, plant and equipment		**(45,515)**	–
Current portion		**71,036**	49,635

18 Trade and other receivables *(continued)*

(a) Trade receivables

The Group's credit terms granted to wholesale customers generally ranged from 30 to 60 days.

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

	As at 31 December	
	2015	**2014**
	RMB'000	**RMB'000**
Less than 30 days	**42,941**	28,531
31 to 60 days	**26,624**	19,358
61 to 90 days	**–**	660
	69,565	48,549

As at 31 December 2015, no trade receivables were past due but not impaired (2014: RMB660,000).

The ageing analysis of these trade receivables based on due date is as follows:

	As at 31 December	
	2015	**2014**
	RMB'000	**RMB'000**
Less than 30 days	**–**	660

The trade receivables are denominated in the following currencies:

	As at 31 December	
	2015	**2014**
	RMB'000	**RMB'000**
RMB	**60,779**	41,923
USD	**8,786**	6,626
	69,565	48,549

No provision for impairment of trade receivables was made as at 31 December 2015 and 2014.

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

(b) Prepayments and other receivables

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

19 Cash and cash equivalents

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash at banks and on hand	**127,954**	31,595
Short-term bank deposits	**99,041**	–
	226,995	31,595

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**64,505**	25,205
HK$	**161,436**	14
USD	**1,054**	6,376
	226,995	31,595

RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business in the PRC.

20 Share capital

Authorised ordinary share

Under the BVI Business 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 share

	Number of ordinary share	Nominal value of ordinary share HK$'000	Equivalent nominal value of ordinary share RMB'000
Ordinary shares of USD1			
As at 1 January 2014	100	1	1
At 31 December 2014 and 1 January 2015	**100**	**1**	**1**
Capitalisation issue *(Note (a))*	**749,999,900**	**7,500**	**6,000**
Issuance of ordinary shares for global offering *(Note (b))*	**250,000,000**	**320,000**	**256,000**
Share issuance cost	**–**	**(17,429)**	**(13,944)**
As at 31 December 2015	**1,000,000,000**	**310,072**	**248,057**

Note:

(a) Capitalisation issue

Pursuant to the resolution passed by the shareholders of the Company on 16 June 2015 and conditional upon the share capital account of the Company being credited as a result of the issuance of new shares pursuant to the initial public offering of the Company's shares, the directors were authorised to capitalise an amount of HK$7,499,999 standing to the credit any reserve account of the Company by applying such sum in paying up in full at par of 749,999,900 shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 16 June 2015.

(b) Issuance of ordinary shares for global offering

On 7 July 2015, 250,000,000 ordinary shares of nil nominal value were issued at a price of HK$1.28 per share upon the listing of the Company on the Exchange. The gross proceeds received by the Company from the global offering amounted to HK$320,000,000. Dealings in these shares on the Exchange commenced on 7 July 2015.

(c) These new shares rank pari passu with the existing shares in all respects.

21 Reserves

	Capital reserve RMB'000 *(Note (i))*	Merger reserve RMB'000 *(Note (ii))*	Statutory reserve RMB'000 *(Note (iii))*	Share option reserve RMB'000	Retained earnings RMB'000	Total reserves RMB'000
Balance at 1 January 2014	–	(3,100)	2,500	–	40,111	39,511
Profit for the year	–	–	–	–	89,311	89,311
Waiver of amount due to the immediate holding company	59,507	–	–	–	–	59,507
Dividends relating to 2013 *(Note 12)*	–	–	–	–	(40,000)	(40,000)
Dividends relating to 2014 *(Note 12)*	–	–	–	–	(30,000)	(30,000)
Balance at 31 December 2014	59,507	(3,100)	2,500	–	59,422	118,329
Balance at 1 January 2015	**59,507**	**(3,100)**	**2,500**	**–**	**59,422**	**118,329**
Profit for the year	**–**	**–**	**–**	**–**	**96,917**	**96,917**
Waiver of amount due to the immediate holding company	**31,156**	**–**	**–**	**–**	**–**	**31,156**
Share-based compensation expenses	**–**	**–**	**–**	**823**	**–**	**823**
Capitalisation issue *(Note 20)*	**(6,000)**	**–**	**–**	**–**	**–**	**(6,000)**
Balance at 31 December 2015	**84,663**	**(3,100)**	**2,500**	**823**	**156,339**	**241,225**

(i) Capital reserve

(a) *Waiver of amount due to the immediate holding company*

During the year ended 31 December 2015, the immediate holding company transferred cash of approximately RMB31,156,000 (2014: RMB59,507,000) to the Group. The amount due by the Group had been waived by the immediate holding company subsequently.

(b) *Capitalisation issue*

Pursuant to the shareholders resolution on 16 June 2015, the directors were authorised to capitalise an amount of HK$7,499,999 standing to the credit any reserve account of the Company by applying such sum in paying up in full at par of 749,999,900 shares for allotment and issue to shareholders. Details of capitalisation issue have been disclosed in Note 20(a).

21 Reserves *(continued)*

(ii) Merger reserve

As mentioned in Note 1.3 above, the financial statements have been prepared as if the current group structure had been in existence throughout the years, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under control of the ultimate controlling shareholder, whichever is a shorter period.

As part of the Reorganisation, the Group acquired interest in Shandong Tiantong and assets and liabilities related to the Listing Business from the then owners during the year ended 31 December 2012. As the acquisition transaction was made under common control, no fair value is applied to the acquired subsidiary interest, assets and liabilities. The consideration paid to the then owners in connection with such reorganisation attributable to that acquired subsidiary interest and assets and liabilities was recorded as a distribution to the then owners of the Company amounting to RMB8,100,000. The difference between the consideration paid to the then owners and the original investment of the then owners was recorded as a merger reserve.

(iii) Statutory reserve

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

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

Statutory reserve during the years represents the statutory surplus reserve of the PRC subsidiaries amounting to RMB2,500,000, which had reached 50% of the entity's registered share capital.

22 Share-based payment

A share option scheme ("Share Option Scheme") was approved on 16 June 2015 by the shareholders of the Company. Share options are granted to selected employees. The options have a contractual option term of three years. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash.

On 6 October 2015, options of 6,000,000 shares were conditionally granted under the Share Option Scheme and the exercisable period is from 1 January 2016 (five months following the listing date of the Company) to 31 December 2020.

(i) The following table discloses details of the Company's share options held by key managements and other employees and movements in such holdings for the year ended 31 December 2015:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of option (thousands)
6 October 2015	1.7	6 October 2015 – 31 December 2015	1 January 2016 – 31 December 2018	3,000
6 October 2015	1.7	6 October 2015 – 31 December 2016	1 January 2017 – 31 December 2019	1,500
6 October 2015	1.7	6 October 2015 – 31 December 2017	1 January 2018 – 31 December 2020	1,500
				6,000

(ii) Movements in the number of share options of the Share Option Scheme outstanding and the average exercise prices are as follows:

	2015	
	Average exercise price in HK$ per share option	Number of shares (thousands)
At 1 January	–	–
Granted	1.7	6,000
At 31 December	**1.7**	**6,000**

The fair values were calculated using the Binomial Option Pricing model at the date of grant. The significant inputs into the model were disclosed in Note 4(g).

For the year ended 31 December 2015, the total expenses for share options granted to key managements and other employees amount to RMB823,000 (2014: Nil), which had been recognised as an "employee benefit expenses" in the consolidated statement of comprehensive income.

23 Trade payables

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade payables	**9,175**	12,365

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Less than 30 days	**7,987**	11,156
31 to 90 days	**861**	732
91 to 180 days	**327**	331
181 to 365 days	**–**	144
Over 365 days	**–**	2
	9,175	12,365

24 Accruals and other payables

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Accrued employee benefit expenses	**9,597**	13,554
Other taxes payables	**722**	163
Other payables for purchases of property, plant and equipment	**1,302**	368
Others	**3,919**	2,197
	15,540	16,282

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

25 Bank borrowings

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Bank borrowings repayable within 1 year	**68,000**	33,000

The carrying amounts of short-term bank borrowings approximate their fair values and are denominated in RMB. The weighted effective interest rates of bank borrowings were 6.8% during the year (2014: 9.1%).

26 Notes to the consolidated statement of cash flows

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	**129,017**	113,517
Adjustments for:		
Interest income	**(266)**	(59)
Interest expenses	**1,865**	2,438
Loss on disposal of property, plant and equipment	**106**	8
Depreciation of property, plant and equipment	**5,117**	3,572
Amortisation of land and land use rights	**724**	–
Share-based compensation expenses	**823**	–
	137,386	119,476
Changes in working capital:		
Increase in inventories	**(15,149)**	(10,304)
Increase in trade receivables	**(21,016)**	(14,944)
Increase in prepayments and other receivables	**(385)**	(504)
Decrease in amount due from a related company	**–**	193
(Decrease)/increase in trade payables	**(3,190)**	5,885
Increase in accruals and other payables	**192**	3,955
Cash generated from operations	**97,838**	103,757

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net book amount *(Note 14)*	**126**	9
Loss on disposal of property, plant and equipment *(Note 7)*	**(106)**	(8)
Proceeds from disposal of property, plant and equipment	**20**	1

27 Contingencies

The Group did not have any material contingent liabilities as at 31 December 2015 and 2014.

28 Commitments

(i) Operating lease commitments

The Group leases manufacturing factories, offices and warehouses under operating lease agreements. The lease terms are between 2 and 24 years. The future aggregate minimum lease payments under the operating lease agreement are as follows:

	As at 31 December	
	2015	**2014**
	RMB'000	**RMB'000**
Not later than 1 year	**352**	2,808
Later than 1 year and no later than 5 years	**288**	11,232
Later than 5 years	**–**	28,197
	640	42,237

(ii) Capital commitments

Capital expenditure contracted for but not yet incurred and provided for as of 31 December 2015 amounted to RMB15,985,000 (2014: RMB3,069,000).

29 Related party balances and transactions

For the purposes of the consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The ultimate and immediate holding company of the Company is Tiantong Fruit Co., Ltd, a company incorporated in the Cayman Island with limited liability. The ultimate controlling shareholder of Tiantong Fruit Co., Ltd is Mr. Yang Ziyuan.

(a) The directors are of the view that the following companies were related parties that had transactions or balances with the Group during the years ended 31 December 2015 and 2014:

Name of the related parties	Principal business activities	Relationship with the Group
Linyi Yuanyu Trading Co., Ltd. ("Yuanyu")	Operating of and acting as agent for import and export of various types of products and technique	Under common control by the ultimate controlling shareholder
Linyi Jinhua Food Company Limited	Processing of nuts and related food products	Under common control by the ultimate controlling shareholder

29 Related party balances and transactions *(continued)*

(b) Transactions with related parties

The following transactions were undertaken by the Group with a related party during the years:

	Year ended 31 December	
	2015	**2014**
	RMB'000	**RMB'000**
Operating lease payments in respect of properties and land of a related company	**608**	2,808

These transactions are made of terms mutually agreed by the relevant parties.

(c) Balances with related parties

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

	As at 31 December	
	2015	**2014**
	RMB'000	**RMB'000**
Amount due to the immediate holding company – Cayman Tiantong	**5**	20
Amount due to a related company – Linyi Jinhua Food Company Limited	**–**	90
Amount due to a director – Mr. Yang	**–**	7,311

The amounts due to a director, the immediate holding company and a related company are unsecured, interest-free and repayable on demand as at 31 December 2015 and 2014. The carrying amounts due to a director, the immediate holding company and the related company approximate their fair values and are denominated in RMB.

29 Related party balances and transactions *(continued)*

(d) Key management compensation

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

	Year ended 31 December	
	2015	**2014**
	RMB'000	**RMB'000**
Basic salaries, allowances and benefits in kind	**1,364**	384
Social security costs	**72**	20
Defined contribution – MPF	**21**	–
Share-based compensation expenses	**140**	–
	1,597	404

(e) Guarantees by related parties

The bank borrowings facilities were supported by personal guarantees provided by the directors of the Company and corporate guarantees by a related company to the extent as follows:

	As at 31 December	
	2015	**2014**
	RMB'000	**RMB'000**
Mr. Yang	**–**	30,000
Mr. Sun	**–**	30,000
Ms. Chu Yinghong	**–**	30,000
Yuanyu	**–**	33,000

The personal guarantees provided by the directors and the corporate guarantees provided by a related company were jointly made and are not separately divided in the amount of bank borrowings. The guarantees described herein have been released in June 2015.

30 Balance sheet and reserve movement of the Company

		As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**–**	–
Amount due from a subsidiary		**238,184**	59,507
		238,184	59,507
Current assets			
Cash and cash equivalents		**104,651**	–
		104,651	**–**
Total assets		**342,835**	59,507
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**248,057**	1
Reserves	*Note (a)*	**94,711**	59,486
Total equity		**342,768**	59,487
LIABILITIES			
Current liabilities			
Accruals and other payables		**62**	–
Amount due to the immediate holding company		**5**	20
Total current liabilities		**67**	20
Total equity and liabilities		**342,835**	59,507

The balance sheet of the Company was approved and authorised for issue by the Board of Directors on 30 March 2016 and was signed on its behalf.

Mr. Yang Ziyuan
Director

Mr. Sun Xingyu
Director

(a) Reserve movement of the Company

	Capital reserve RMB'000	Share option reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2014	–	–	(16)	(16)
Loss for the year	–	–	(5)	(5)
Waiver of amount due to the immediate holding company	59,507	–	–	59,507
At 31 December 2014	59,507	–	(21)	59,486
At 1 January 2015	**59,507**	**–**	**(21)**	**59,486**
Profit for the year	**–**	**–**	**9,246**	**9,246**
Waiver of amount due to the immediate holding company	**31,156**	**–**	**–**	**31,156**
Capitalisation issue	**(6,000)**	**–**	**–**	**(6,000)**
Employees share option scheme:				
– share-based compensation expenses	**–**	**823**	**–**	**823**
At 31 December 2015	**84,663**	**823**	**9,225**	**94,711**

31 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:								
Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors									
Mr. Yang Ziyuan	56	72	6	-	-	25	-	-	159
Mr. Sun Xingyu	56	60	5	-	-	21	-	-	142
Non-executive directors									
Ms. Chu Yinghong *(Note i)*	56	-	-	-	-	-	-	-	56
Mr. Wong Yim Pan *(Note ii)*	56	-	-	-	-	-	-	-	56
Independent and non-executive directors									
Mr. Liang Zhongkang *(Note iii)*	56	-	-	-	-	-	-	-	56
Mr. Tsang Yuen Wai *(Note iii)*	56	-	-	-	-	-	-	-	56
Ms. Hui Yung Yung *(Note iii)*	56	-	-	-	-	-	-	-	56

31 Benefits and interests of directors *(continued)*

(a) Directors' and chief executive's emolument *(continued)*

The remuneration of every director and the chief executive is set out below: *(continued)*

For the year ended 31 December 2014:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:								
Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors									
Mr. Yang Ziyuan	-	103	-	-	-	10	-	-	113
Mr. Sun Xingyu	-	83	-	-	-	10	-	-	183
Ms. Chu Yinghong *(Note i)*	-	-	-	-	-	-	-	-	-

Notes:

(i) Ms. Chu Yinghong was resigned as the Company's executive director and was appointed as the Company's non-executive director on 16 June 2015.

(ii) Mr. Wong Yim Pan was appointed as the Company's non-executive director on 16 June 2015.

(iii) Mr. Liang Zhongkang, Mr. Tsang Yuen Wai and Ms. Hui Yung Yung were appointed as the Company's independent non-executive directors on 16 June 2015.

There was no arrangement during the years ended 31 December 2015 and 2014 under which a director waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

Pursuant to an agreement dated 19 March 2015 made between the Group and Yuanyu, the Group has acquired land and buildings at a consideration of RMB80,000,000. The transaction was completed by 9 June 2015. The transaction was made on terms mutually agreed by the relevant parties.

During the year ended 31 December 2015, the immediate holding company transferred cash of approximately RMB31,156,000 to the Group. The amount due by the Group had been waived by the immediate holding company subsequently and such amount was recorded as capital reserve.

Four-Year Financial Summary

A summary of the results and of the assets, equity and liabilities of the Group for the last four financial years is as follows.

RESULTS

	Year ended 31 December			
	2015	**2014**	**2013**	**2012**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue	**553,618**	447,678	370,493	300,340
Profit before tax	**129,017**	113,517	90,006	73,647
Income tax expense	**(32,100)**	(24,206)	(19,106)	(15,662)
Profit for the year	**96,917**	89,311	70,900	57,985

ASSETS AND LIABILITIES

	As at 31 December			
	2015	**2014**	**2013**	**2012**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Assets				
Non-current assets	**232,314**	72,514	39,485	41,902
Current assets	**354,251**	122,301	84,701	102,338
Total assets	**586,565**	194,815	124,186	144,240
Equity and liabilities				
Total equity	**489,282**	118,330	39,512	58,612
Non-current liabilities	**–**	–	–	–
Current liabilities	**97,283**	76,485	84,674	85,628
Total liabilities	**97,283**	76,485	84,674	85,628
Total equity and liabilities	**586,565**	194,815	124,186	144,240

Note:

The summary of the consolidated results of the Group for each of the three years ended 31 December 2012, 2013 and 2014 and of the assets, equity and liabilities as at 31 December 2012, 2013 and 2014 have been extracted from the Prospectus.

The financial information for the year ended 31 December 2011 was not disclosed as consolidated financial statements of the Group and has not been prepared for that year. The summary above does not form part of the audited financial statements.