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

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 6836.HK

ANNUAL REPORT 2016

MORE FRESH
AND HEALTHY CHOICES

Contents

Financial Highlights	2
Chairman's Statement	3
Environmental, Social and Governance Report	7
Management Discussion and Analysis	17
Corporate Governance Report	27
Report of the Directors	36
Biographical Details of Directors and Senior Management	48
Independent Auditor's Report	51
Consolidated Statement of Comprehensive Income	55
Consolidated Statement of Financial Position	56
Consolidated Statement of Changes in Equity	57
Consolidated Statement of Cash Flows	58
Notes to the Consolidated Financial Statements	59
Five-Year Financial Summary	98
Corporate Information	99

Financial Highlights

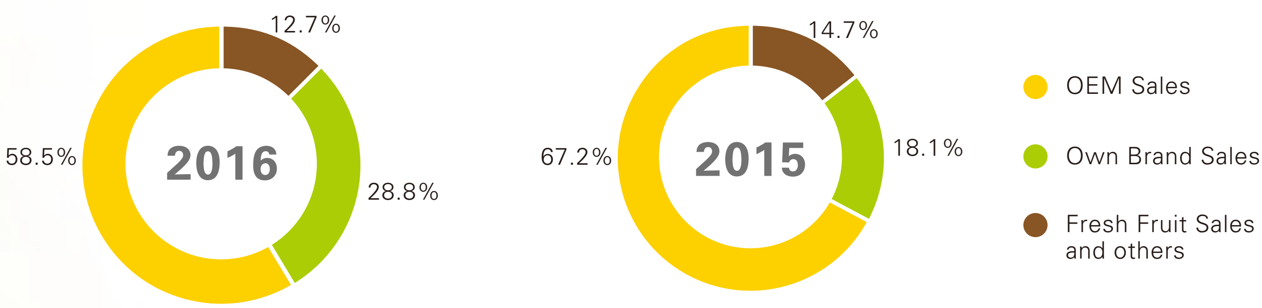
Revenue (RMB million)

Gross Profit (RMB million)

Gross Profit Margin (%)

Net Profit Margin (%)

Revenue by Business Segment



Dividend Per Share (HK cents)

2016	2015
4.1 cents	3.0 cents

Dividend Yield* (%)

2016	2015
5.6%	3.1%

*Note: Calculated based on the total dividend per share (being the interim and proposed final dividend) in the respective year divided by the last closing share price before the respective annual results announcement date.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Tianyun International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present our annual report for the year ended 31 December 2016 (the "Year under Review").

During the Year under Review, with the efforts of all our staffs and partners, we recorded favourable performance in production capacity expansion, own brand distribution network development, products research and development, and market promotion. Meanwhile, the proportion of our own brand business had continued to increase, which built a popular brand image and achieved encouraging results. During the Year under Review, total revenue and gross profit increased by 18.1% and 15.9% to RMB653.5 million and RMB199.4 million respectively. Revenue from our own brand business increased by 87.3% to RMB187.9 million.

Since the establishment of the Group, providing safe and healthy product to our customers have been the first priority of our business. We insist to a preservative-free production process and strictly adhere to the national plan of the PRC Food Safety Law. The implementation of the PRC Food Safety Law constantly improves our internal food safety and quality management system, and effectively protects the interests of our customers. During the Year under Review, the Group was awarded as the China Quality Credit Enterprise (中國質量誠信企業) by China Entry & Exit Inspection and Quarantine Association (中國出入境檢驗檢疫協會). The Group was also granted the qualification of China Canned Product Quality Certification Label through passing the certification of Preservative-free Processed Canned Food by China Canned Food Industry Association (中國罐頭工業協會), which had led the Group to become the first and the only enterprise obtaining such honour in PRC fruit processing industry in 2016. The certification marked the Group's production and processing technology to a higher standard.

At the same time, we were included in the Chinese Brand Value Ranking (中國品牌價值榜) and received the award of the Top 10 Canned Food Enterprises of China (中國罐頭十強企業) in 2016. The brand value of Shandong Tiantong, a wholly-owned subsidiary of the Group, valued at RMB871 million as at 12 December 2016. Such ranking represents an important implication in evaluating the awareness of the brand and product competitiveness of the Group, and is highly recognised by the industry regulatory authorities and customers. We firmly believe that our products' quality and customers play the most important function in corporate development and adhering to product technology innovation and implementing quality integrity will certainly enable the Group to achieve excellent brand value which in return benefits the shareholders. In addition, the Group was accredited with BRC(A+), IFS Food (High), HALAL, SC, KOSHER and ISO22000, etc. international and national certifications during the year. These accreditations fully demonstrated our developing principle as a conscientious enterprise producing safe and healthy food products.

Chairman's Statement

During the Year under Review, the main structure of the integrated development centre of the Group with gross construction area of approximately 15,000 square meters was substantially completed and would be gradually put into operation in 2017. The centre with multiple functions including research and development, inspection, training, marketing, product sales and show room, and convention will promote business development and enhance the Group's overall competitiveness. Meanwhile, such centre will be used for training talented staff, further raise the product inspection capacity and standard of the Group, reassure that we can provide customers with safe and healthy processed fruit products, and enhance our brand image and reputation.

Over the years, we have been endeavouring to actively develop our own brand business, expanding our market position and developing more extensive product lines. During the Year under Review, the Group successfully developed several new product lines including mixed fruit puree, which was selected into the "displayed products in future supermarkets" in the American PLMA own brand exhibition. In the last quarter of 2016, the Group launched new products including stewed pear soup with crystal sugar, fruit puree and fruit jelly, which were also highly accepted by customers. In addition, in order to promote the R&D of processed fruit food products, the Group cooperated with a leading food enterprise in Japan to develop high-quality, innovative and upgraded fruit sorbet products, as well as launched the strategic cooperation with American enterprises, with an expectation to build a stronger own brand and expand our products to a broader market. During the Year under Review, the Group maintained a strong growth in traditional sale channel through strategically expanding its distribution channel and fully enhancing its new distributorship system. As of the date of this report, the number of our distributors amounted to 126, sales network of our own brand products has covered 20 provinces, municipalities and autonomous regions of China. The Group has expanded its sales market to Hong Kong since 2015 and we actively took part in various large food exhibitions in Hong Kong, such as Hong Kong CMA Exhibition, 2016 Winter Food Festival, Hong Kong Food Expo and other large-scale sales and promotion activities. Sales performance of the Hong Kong market recorded year-on-year increase, representing the recognition in overseas markets on the quality and brand of natural and healthy processed fruit products of the Group.

During the Year under Review, the Group also continued to extend its online sales. In view of that the domestic fast moving consumer goods market in recent years had developed rapidly through e-commerce model, as a renowned enterprise in the Chinese processed fruit industry, the Group actively opened up new online sales channel. In the Year under Review. The Group strategically promoted own brand products and part of its limited-edition products by precise marketing via Wechat e-commerce platforms. Such online sales contribution had shown significant increase in the Year under Review. The products of new brand "果三十" and existing own brand "果小懶" and "Tiantong Times (天同時代)" recorded favourable sales volume in the Wechat e-commerce platform, which was in favour for the Group to establish more comprehensive online and offline sales platforms in the future and gain more experience on customers' preference in respect of their demand on products, service and nutrition value, so as to obtain stronger customer base. The revenue through online channels grew substantially in 2016 and amounted to RMB19.5 million, accounting for 3.4% of our revenue from processed fruit products.

Chairman's Statement

Under the competition from other processed fruit product brands across the PRC and the stringent food safety standard monitoring from the government on the food processing industry, the Group's OEM business experienced an increasingly rapid development in the process of the industry consolidation, number of our OEM customers stably rose. The Group has been actively studying the diversification of product lines to introduce more types of fruits from different climate zones, so as to seize untapped market shares. OEM customer base from Canada, America, UK, Germany, Netherlands, Chile, Australia, New Zealand, Japan, and Malaysia were enhanced during the Year under Review. The Group is endeavouring to develop new customers in overseas distribution points in order to continuously expand its international business scope.

In respect of productivity, the commencement of No. 3 and No. 4 production workshops made significant contribution to production capacity. During the Year under Review, the Group increased 20,000 tons in designed production capacity. At the same time, the preparation work of establishment of No. 5 and No. 6 production workshops is under progress. In respect of extending product lines, the Group has introduced soft package processed fruit products and put them into market in batches. It is expected that the Group will increase the proportion of soft package products in 2017 and introduce different new product categories.

In the context of sustainable development, the Group also actively performed corporate social responsibility and endeavoured to provide our customers with natural, safe, healthy, delicious, nutritious and conveniently-consumed processed fruit products. We believe that proper corporate governance is extremely important for creating a transparent and efficient work environment, having a positive impact on motivating employees, and making contributions to the long-term development of the enterprise. During the Year under Review, the Group, according to its environmental protection policies, had adopted more environmental-friendly production methods, such as gradually using energy-saving and efficient production equipments to raise energy efficiency, adding more environmental-friendly elements in the design of production workshop and factory construction to realize the integration of environmental protection and function with lowest energy consumption, and providing our employees with more comfortable working environment. Besides, we continuously assumed our social responsibility to ensure the sustainable development of business. The Group adhered to the principle of producing safe and high-quality processed fruit products, increased investment in environmental protection, facilities and offered reliable processed fruit foods to the public. In addition to business operation, we organized a series of community care activities to help society by regularly providing financial aid and relevant goods to impoverished undergraduates and families in need. In the future, we will promote the development of public welfare undertakings by performing corporate social responsibility with practical acts including continuous environmental protection, precise poverty alleviation, caring for society and active participation in various charitable community activities.

In addition, the Group also actively enhances shareholders value by repurchasing its own shares and distributing dividend. During the Year under Review and up to the date of this report, the Company repurchased an aggregate of 22,538,000 shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Board has also resolved to pay an interim dividend of HK$0.016 per share in August 2016 and recommended a final dividend of HK$0.025 per share.

In the future, we will continue to pursue product innovation and build own brand image on our fast-moving consumer goods. In order to meet the huge demand from customers on natural and healthy processed fruit products, the Group will accelerate the expansion of fruit varieties and introduce more tropical and subtropical fruits to improve the diversity of our fruit products. Meanwhile, the Group will continue to actively develop our own brand business, put more resources in own brand marketing, and constantly expand our distribution and sales network composition, and accelerate the R&D of new products. We firmly believe that our parallel development strategy can lead the Group to obtain a stable and sustainable business growth. We will keep the objective of producing safe and healthy food products, ensuring the "safe on tip of the tongue", endeavouring to become a leading enterprise of the industry in China within short to medium term, and building a renowned international enterprise in our long-term development.

In closing, on behalf of the Board, I would like to extend my sincere gratitude to our shareholders, customers and business partners for their constant support and trust. I would also like to thank our management team and staff for their contribution to the development of the Group through their various industrial experience and persistent effort in an ever-changing market environment. We will carry on our corporate principles consistently and continue to adopt the most stringent manufacturing procedures to produce safe and healthy processed food products, provide customers with high-quality and reliable foods, and maximise returns for our shareholders.

Sincerely,
Yang Ziyuan
Chairman and Chief Executive Officer

27 March 2017

Environmental, Social and Governance Report

Concept of Contents and Reporting Principles

The Environmental, Social and Governance Report mainly reports and reviews the environmental, social and governance performance of the Company's three major business operations, including OEM, own brands and fresh fruits. The scope of the disclosure covers the production base of the Group located in Linyi City, Shandong Province, China. According to the ESG Reporting Guide issued by Stock Exchange, some of the provisions will take effect in the financial years of 2016 and 2017 respectively. With reference to the guidelines, this report will contain various data and policies of the Group for the Year under Review.

Under the premise of sustainable development, the Group is committed to providing consumers with natural, safe, healthy, delicious, nutritious and convenient ready-to-eat processed fruit products. At the same time, we believe that excellent corporate governance is extremely important to create a transparent and efficient working environment, and it also has a positive impact on motivating employess and in turn contributes to the long-term development of the enteriprise. In addition to operating business, we also organize a series of community care activities to contribute to the society. In this section, we will elaborate on the Group's concept of sustainable development and performance in response to the expectations of all circles on us.

The data in this report are derived from our electronic files, records and statistics. The resources we use in this report show our emphasis on environmental, social and governance performance and our commitment to integrate the concept of sustainable development into our daily business operations. If you have any feedback on this report, please send an email to ir@tianyuninternational.com so that we can continue to improve and keep pace with the times.

About the Group

We proactively implement our business strategy to meet the needs of the market, and apply the accountable production management to become a leading enterprise in the domestic and international processed fruit products. The Group also hopes that its own brand products will deliver the concept of "health and safety food to create a better life".

We adhere to strict health and food safety standards, and take serious quality control measures in the production process. In 2016, the product quality of the Group was recognized by the state as our products were identified as the "zero added preservative canned products" and we thereby became the only fruit processor in the industry to win the qualification of "China Canned Product Quality Certification Label", setting a benchmark for the industry. Our production facilities and processes comply with the PRC laws and regulations, and our quality control and management meet a number of international standards on food production. The BRC (A+), IFS Food (High), HALAL, SC, KOSHER and ISO22000, etc., top tier international and local certifications showed our determination to exercise strict self-discipline and strive for excellence. While safeguarding product quality and enterprise development, we also pay attention to the impact of the Group's business on the environment, try to reduce pollution and improve energy efficiency. The Group insists on fulfilling corporate social responsibility to share the achievements of economic development with the public and proactively promote the sustainable development of society.

Environmental, Social and Governance Report

Performance in 2016

Harmonious Coexistence with the Environment

The Group produces healthy and safe processed fruit food in the clean and tidy environment. But in the production process, sewage and a variety of wastes will inevitably bring varying degrees of impacts on environment. To minimize these impacts, the Group has adhered to the environmental and safe production process, including improving overall energy efficiency, reducing the generation of contaminants and wastes to mitigate environmental stress while providing healthy products for consumers.

During the Year under Review, the Group continued to improve its wastewater treatment and energy saving facilities. The phase II project of the sewage treatment plant carried out previously has been successfully put into use; the water quality is stable and meets the relevant national standards. The wastewater treatment facility project was carried out in 2015 and was designed by the leading wastewater treatment expert team of Harbin Institute of Technology in China to effectively reduce the Chemical Oxygen Demand (COD), ammonia and the contents of other indicators, and ensure that the wastewater generated by the production line will not bring any negative impact on the environment. All sewage treatment stations have been installed 24-hour online water quality monitoring system for us to monitor the water quality in a real-time manner. The environmental protection facilities and systems of the Group were superior in the industry.

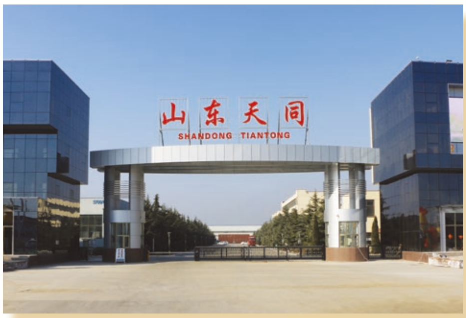
We explore and implement the energy-saving and emission reduction program in every aspect of production and life. During the Year under Review, the Group also changed the production boiler for the plant. The newly added gas boiler is the most advanced energy-saving condensing heat recovery boiler. The new boiler has energy saving and environmental protection function, and can reduce the heat loss and exhaust gas temperature, thereby enhancing its thermal efficiency and energy efficiency, and effectively lowering the operating costs. In addition, in order to further improve our carbon emission performance, the clean and environmental friendly solar water heaters have been installed in all staff dormitories to utilize renewable energy as far as possible, reduce carbon dioxide emissions, and show our responsibility as a conscience enterprise.

The Group continued to strengthen investment in wastewater treatment design and equipment upgrades. The new equipment will not only lay a solid foundation for the continued rise in production capacity and expanding scale of business, but also demonstrate the Group's commitment to environmental protection and decision to make contribution to sustainable development.

Making Progress together with Employees

Employees and Recruitment Practices

The hard work of our employees is the biggest driver to push the Group moving forward, so we spare no effort in aspects of employees' health and safety during their work, development and training, and other rights and interests and welfare. We have compiled internal reference documents such as the Employee Handbook, the Social Responsibility Management Handbook, and the Social Responsibility Procedure Document to enable employees to observe the regulations, protect their rights, and formulate guidelines for the recruitment and staffing of the Group, to ensure that all aspects are in line with national laws and regulations.



The first chapter of the Employee Handbook clarifies that the recruitment of the Group is based on the principle of openness, impartiality and equality to ensure that employees are hired in a voluntary manner and forced labour is prohibited. This Handbook also clearly contains the employee recruitment and resignation procedure, working hour arrangement, welfare-related policies (including labour protection measures, year-end incentive methods, routine leave systems, etc.), and staff responsibilities and interests, involving a variety of aspects of employment with comprehensive contents. The Group provides the necessary labour protection products for workers during their working, including work clothes, gloves, earmuffs, sleevelets, finger stalls and helmet, etc., to ensure the safety of the staff. The Group will continue to update this Employee Handbook to ensure that the contents of the Handbook keep pace with the times.

In order to ensure the effective implementation of the rules and regulations and to enhance the efficiency of execution, we have also formulated the Social Responsibility Procedure Document in accordance with the Handbook to standardize the various management procedures such as "working time management procedures", "remuneration management control procedures", "health and safety management procedures", "anti-discrimination management procedures", "management procedures on the freedom of association and collective negotiation rights " and "emergency medical relief management procedures" and so on.

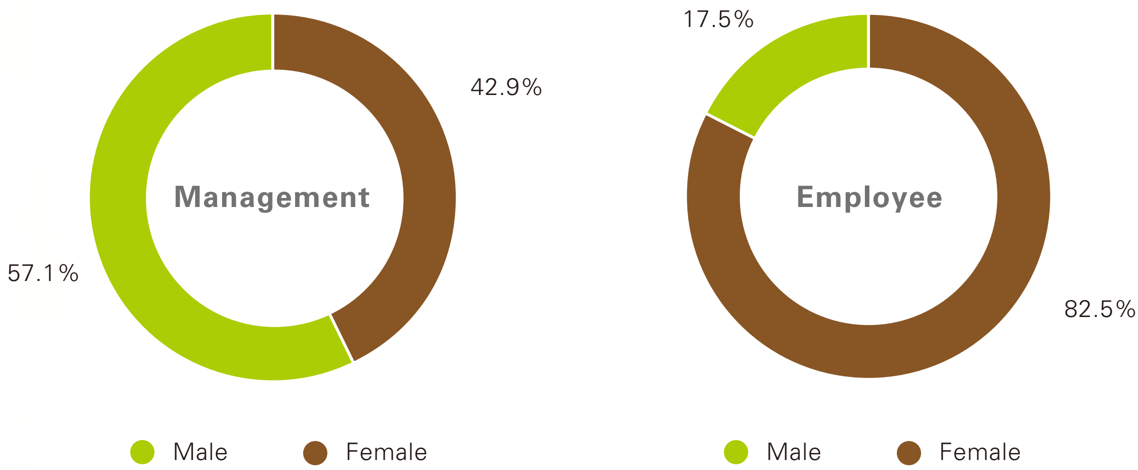
In order to further strengthen the compliance of HR management, the Group formulated the Anti-Trafficking Procedures, the Non Compulsory Labour Administration Procedure and the Procedures on Saving Child Labour and Youth Worker Protection on the basis of the Labour Law and the Labour Contract Law, to prohibit trafficking of women, children and other persons in any way, and completely eradicate forced labour and child labour. The procedures also require that identity verification and background investigation shall be carried out for all foreign employees before they are employed and a special group is designated to implement and monitor policy enforcement.

The Group's efforts to ensure labour rights and human rights have been recognized by international community and have reached the highest level among domestic counterparts. In 2016, Shandong Tiantong Food Co., Ltd., a subsidiary of the Group successfully passed the audit of Workplace Conditions Assessment by Intertek, an international well-known British certification company ("Intertek WCA"). Intertek WCA is a set of assessment standards to ensure that the working conditions of the enterprise meet the human rights norms of the international community. The Company has been affirmed in the five aspects of favourable working conditions, reasonable wages and working hours, care of the health and safety of employees, excellent management system and good working environment.

Thanks to this, many outstanding talents have been working in the Group since its establishment. As of the end of 2016, there are 573 employees in total at the Group. Among them, 63 employees have been serving the Group for more than 10 years, accounting for 11.0%; approximately 100 employees have been serving the Group for more than five years, accounting for 17.5%, indicating the good business environment of the Group and employees' trust to the Group.

The Group maintained a low employee turnover rate, and the overall turnover rate was approximately 1.75% in 2016. During the Year under Review, the Group did not find any child labour and forced labour.

By gender and employee level



Employee turnover in 2016 (Unit: Person)		10
By gender and employment level	Male	Female
Management	0	1
Employee	5	4

The Group is proactively operating in an open and honest manner, reflecting the importance of the employment relationship. We will continue to review and improve the staff system and interests and constantly build the trust between the enterprise and employees.

Health and Safety

It is the responsibility of the Group to protect the safety of employees. We adhere to the Production Safety Management Regulations and implement the work concept of "safety priority" into every aspect of production, insist on safety education for each employee. We require all employees to wear the protective equipment provided by the Group before work in accordance with regulations and operate the equipment upon the safety inspection. Any flammable, explosive, highly toxic, radioactive and corrosive materials in the workplace must be classified according to company policies and shall be submitted to the dedicated staff for processing, supervision and treatment. Special operators shall accept professional training and assessment. Qualified operators being certified can operate, while unqualified operators are not allowed to operate. In addition, the Group also requests that electrical equipment and lines must be installed by the Engineering Department, and regularly inspected to ensure its safety. The hand-held power tools must be used with low-voltage devices to ensure the safety of operators.

According to the internal code of the Group, if any safety crisis is found, the employee should immediately report to the superior level. In the event of any life-threatening and equipment safety situation, the front-line staff shall be entitled to stop operation on the site, promptly rescue the wounded, and immediately report to the higher level for further processing. In addition, in order to enhance the overall performance and reduce the occurrence of accidents, we also implemented a reward and punishment system: employees with long-term safety production records should be commended and rewarded; and employees causing accidents due to serious dereliction of duty should be given reasonable punishment.

The Group has been committed to prevention of disease hazards. Every year we organize all the staff for physical examination activities. In addition, we have set up a health and safety team to carry out a series of health and safety inspection tasks, including regular contact with government departments once a year for testing drinking water, waste gas, noise, pressure vessels, etc. to ensure that all aspects of the factory meet national standards and maintain the health working environment for the staff. In addition, we also arrange a fire drill and first aid exercise on a quarterly basis. Through these emergency drills, we improve the safety and emergency awareness of all employees and enhance the response and protection capabilities.

In 2016, the Group did not have any employee injury or death due to work, which proved that we effectively protect the safety of employees, so that they are ready to participate in business development, and jointly shape the future of the Group.

Development and Training

The long-term development of the Group depends on the efforts of every employee. As a result, we are committed to providing various equal vocational training and promotion opportunities for each employee. In terms of training, we provide pre-job training for new employees before they start working, including staff handbook training, production safety, food safety, allergen international food safety standards, and other basic knowledge, and the new employees will be tested and assigned to various departments according to their ability and the actual need after passing the tests. The production department will arrange the relevant work skills training in accordance with the needs of the occupation to ensure that employees grasp the job requirements and safety standards of the post. In the area of career development, the Group selects appropriate employees so that any staff can be given an opportunity for internal promotion through on-the-job assessment and will be given the appropriate position in accordance with their abilities and performance to exert their strengths.

The Group is also concerned about the physical and mental health of employees and specially organized various types of recreational activities during the year. During the National Holiday starting from 1st October 2016, we organized all the staff for tourism activities, so that they can enjoy the leisure time in the spare time to achieve the balance between working and life, and help to cultivate the sense of belonging and collective group honour of employees. During the "Eighth of March Women's Day", we also organized basketball competitions to enhance cohesion among our staff. In addition, in order to enhance the overall safety and health protection of the Group, it held the first aid training activities and invited the senior experts of Hedong District People's Hospital, Linyi City, Shandong Province, to give lessons regarding the first aid treatment knowledge, prevention of heat stroke and drowning, and other accidents to improve the self-help and mutual help ability of employees; the experts spread the knowledge of health care to the whole company on the scene.

In 2016, the Group organized a total of 75 training activities, including 51 internal training sessions, 9 external exchange meetings, 9 external seminars, and 12 external training sessions.

Community Investment

The Group has the responsibility to contribute to the society and make its own efforts in the development of the society. In 2016, in proactive response to the call of the national "targeted poverty alleviation", the trade union under the Group visited the masses in poverty and gave them the most appropriate subsidy based on their needs according to their family status. For example, when we visit families having college students suffering financial difficulties, we will grant subsidies to them. When we visit the elderly, we will provide daily necessities to resolve their difficulties in life. We also organize activities on specific festivals. For example, on the Spring Festival, we provide families with financial difficulties the required goods for celebrating the festival; we hold recreational activities for children on the Children's Day, and visit fire-fighters on the Army's Day. We always believe that community investment is a long-term process; therefore, we have made regular visits every quarter since the inception of the Group to provide assistance to those in need.

We also proactively help young people to pursue fair learning and development opportunities. For example, we participated in the book donation activities for the "Campus Care Project" in Linyi City, Shandong Province. We have always concerned about the public welfare. In order to allow more children in poor families to study in the school, the Group donates cash, school supplies and daily necessities to subsidize poor students every year. In addition, the Group gives poor students paid internship opportunities in priority.

To strengthen the sustainable development of the food processing industry, the Company cooperates with local universities to organize visits. During the Year under Review, more than 70 teachers and students in the Department of Food Engineering, Linyi University visited the production workshop of the Group and participated in the internships under the leadership of the relevant leaders and professors of the University. Under the guidance of the accompanying staff, the students visited the key processes of workshop including pre-treatment, pre-cooking, metal detection, canning and sealing. The guiding staff of the Group also gave detailed answers to the issues raised by the students. We hope that this internship program will enable students to better understand the food processing industry, while broadening their horizons for early planning for the future career options.

Operating Practices

Selection of Qualified Suppliers

The Group believes that suppliers who can provide high quality raw materials and services will establish a good foundation for the Group's supply chain. In view of this, our newly prepared Food Safety Procedure Document has established the "Procurement Control Procedure", which sets out the responsibilities of various departments in the procurement process. The Purchasing Department shall, together with the relevant personnel of the Production Department, the Quality Control Department and the Finance Department, form an assessment team and go to the place of operation of the potential suppliers to conduct assessment in the form of investigation and trial, and record it in the Supplier Evaluation Record Form. The Group will also provide our suppliers with a detailed list of our requirements to ensure that the suppliers will fully understand the relevant requirements before supply of products.

In addition, in order to monitor the operating level of suppliers, the Group also formulated the Supplier Code of Conduct to specify the requirements of suppliers in the production environment, contractors and other related matters. In verifying the authenticity of the data, we conduct regular inspections and require inspection of the supplier's complete daily operation procedures to verify that the supplier has complied with the Supplier Code of Conduct. If the act deviates from the requirements of the Code, we shall have the right to terminate the trade relationship between the two parties, including cancellation of the order with outstanding payment. We make an assessment of the qualified suppliers at least once a year, including quality, delivery time and service, etc., and those who fail to pass the assessment must make improvements within six months, or their qualifications as eligible suppliers will be revoked.

The Group hopes that the suppliers are in compliance with our concept of sustainable development and relevant requirements are set out in the Supplier Code of Conduct. We require suppliers to attach importance to the human rights of employees, not employing any forced labour or child labour, opposing employment discrimination and protecting the rights of employees. We select supplies through our internal supplier selection system to ensure that each of the raw materials, package materials and service items have at least two suppliers for us to choose, so that we can keep up with the pace of the market and select the most competitive suppliers providing the highest quality products.

Abiding by Product Liability

The Group has been strictly abiding by the international standards of food safety and the quality of our products has been affirmed by the regulatory authorities. In 2016, the review expert group of China Quality Certification Centre conducted a review of the Hazard Analysis and Critical Control Points (HACCP) of the food safety management system established by the Group and awarded us with the certificate. The Group also passed the annual supervision and audit of the BRC Global Standard for Food Safety and achieved excellent result of A+. The canned fruit, fruit sorbet and fruit cup products under the Group were in line with the product specifications of GT003-2016 China Canned Product Quality Certification Label, identified as zero added preservative canned products, and approved to use China canned product quality certification label, the Group is the first canned enterprise being granted the certification currently in China. At the same time, our products were also granted IFS Food (High), HALAL, SC, KOSHER and ISO22000 certifications.

In order to ensure the quality of products for a long time, the Group set up a food safety team, which is mainly responsible for policy establishment and improvement. The group compiled the Food Safety Quality Manual, which was reviewed by the leader of the food safety team and launched upon approval by the general manager of the Group. If quality problems or potential risks are found, the team will issue the corresponding Corrective Action and Precautionary Measure Processing to follow up and check its effectiveness. In terms of quality verification, the Quality Control Department and the Production Department will carry out testing for different materials in accordance with the Raw Materials, Packaging Materials Procurement, and Acceptance Control Procedures. If defective products are found, the Quality Control Department will carry out tracking and issue a Nonconforming Product Report based on the result of tracking. Deputy General Manager and department heads of the Group will perform respective duties to make processing decisions on isolation, scrap and return of the unqualified goods.

Since January 2015, we have adopted a new distribution right system for our own brand "Tiantong Times", to assess and select distributors through the centralized management to ensure provision of safe and healthy products for consumers. We entered into distribution agreements with all distributors, requiring that they shall not sell expired products and that the products that will expire within three months must be replaced by new products. We have the rights to purchase any expired products at retail prices from the stores for proper disposal and reimburse the costs from the distributors.

If the products are required to be recalled due to safety problems, the Group will verify all affected products within 4 hours, or trace all affected TESCO products within 2 hours in accordance with the provisions of the Product Recall Control Procedures. Since then, the leader of the food safety team will immediately convene a meeting for recall review. Once recall is confirmed, the Trade

Department of the Group will be responsible for executing the procedure and supervising the process of product recalling. In addition, the Group conducts mock recall for counterfeit at least twice a year, as well as simulation recalling at least once every two years, and updates the procedures in a timely manner to ensure the validity, timeliness and compliance of the recall procedures.

In 2016, we did not recall any products for health or safety reasons.

Being Honest with Customers

The Group not only attaches importance to the internal product quality test and supervision, but also cherishes the views of consumers as external supervisors. The Group has formulated the Customer Complaint Control Procedures to properly handle customer complaints and classify and record each complaint in accordance with a number of internal guidelines, such as the Product Quality Information Feedback Processing, Health and Safety Complaint Archives and Complaint Nature Grading Standard.

The department responsible for collecting the complaint message will confirm the authenticity according to the contents of the complaint and return the complaint investigation result as well as opinion to the complainant within 48 hours. If the same customer complains twice or more or the same type of complaint occurs twice or more, the colleague of the Trade Department must report the complaint result to the HACCP team, which will review the relevant production process to find the cause of complaint.

During the year, we received a total of one complaint about products and services, and the contents were associated with the product packaging. The complaint has been properly resolved after communication.

Our commitment to customers is also reflected in the protection of their privacy. We abide by client and customer privacy regulations, and establish a customer information confidentiality system. To improve security, we do not retain customer information in writing with the exception of customer profiles. We also instruct department managers to ensure the security of electronic information and they may authorize others to view the information, but this authority does not permit any downloading, editing or printing. The computer of the E-commerce Department does not allow anyone to log in to the system without authorization. Respective department will assess the customer information confidentiality mechanism every month. If there are any hidden risks, rectification will be conducted in a timely manner. HR Department will also check respective departments from time to time to ensure the effective implementation of the policy. If any violation is found, the Group will dismiss the employee who loses or sells the customer information, claim financial compensation against such employee, or even transfer it to the public security department for processing.

Protecting Intellectual Property Rights

We have developed and are developing trademarks, technical knowledge, product recipes, processes, technologies and other intellectual property rights that are of great value to us. Therefore, we spare no effort in protecting intellectual property rights. After the successful development of a new product or new technology, the Group will promptly make an application for patent to the patent application authority to prevent our legitimate rights and interests from infringement due to pre-emptive application by others. We sign confidentiality agreements with our employees to clarify the confidentiality scope, means and liability for breach of contract to prevent the leakage caused by the flow of personnel.

Sales staff of the Group shall be responsible for monitoring their respective sales region; if any counterfeit products and infringement are found, employees will immediately report to the lawyer of the Group to seek legal protection. In special circumstances, the Group will set up a counterfeiting group or a counterfeiting office to defend the Group's brands.

Preventing Corruption

We believe that the transparency of operation will create a fair, harmonious and positive working environment, improve the efficiency of the Group, and exert far-reaching significance to the long-term development of the Group. Therefore, the Group formulated the Procedures for Prevention of Commercial Bribery and Corruption Control to ensure that procurement staff shall not accept any form of bribery, nor bribe others to seek lower prices. In addition, when the sales staff carry out the sale, they shall not privately charge the buyer rebate unless otherwise approval by the Group's management.

In terms of anti-corruption advocacy, the HR Department of the Group issues the laws and regulations relating to bribery and corruption for staff to learn through the Group's columns, e-mail, etc.. At the same time, the Group has also set up reporting channels such as anonymous comments collection box and complaining telephone number.

If any corruption is found, the Finance Department will be responsible for auditing the bribery and maintaining communication with the public. For any verified corruption or bribery, the Group will immediately report to the local public security department. During the Year under Review, the Group did not suffer any corruption litigation cases.

Outlook

Looking ahead, the Group will persist on its environment-related policies, properly handle the relationship between environmental protection and enterprise development, and adopt more environmentally friendly production methods, such as the gradual replacement of old equipment with the energy efficient production equipment to improve energy efficiency. In addition, the Group will continue to build the No. 5 and No. 6 plants and add more environmental elements to integrate the environmental protection and function together, and minimize energy consumption. The integrated development centre under construction will be completed soon featuring the highest standards of thermal and acoustic insulation to reduce the use of heaters and air conditioners, thereby reducing energy consumption and providing a more comfortable office environment for employees. We will continue to expand our investment in environmental protection facilities and adhere to the principle of producing safe and quality products to provide the public with reliable processed fruit products. At the same time, we will continue to bear our social responsibility to ensure the sustainable development of our business.

We hope that through the long-term efforts, health and wealth will be achieved in parallel, and blue sky, white clouds, green mountains and clear water will coexist with life.

Management Discussion and Analysis

Tianyun International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) the production and sales of processed fruit packaged in metal containers, plastic cups and glass containers and (ii) trading of fresh fruit. Processed fruit is sold both 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 industry.

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, SC, KOSHER and ISO22000 in respect of our production facilities, quality control and management during the year ended 31 December 2016 (the "Year under Review").

Business Review

In 2016, affected by several international events such as Brexit, presidential election of the United States, etc., the global economy revealed numerous uncertain risks, and was trapped in the unstable macro-environment. China's economy is witnessing a "New Normal". GDP growth rate of China also slowed down. The development of China's food industry was more reliant on "Value Driving", while the consumers' food consumption habits have been constantly upgraded and mature, and the food safety has drawn more public attention. With the even more stringent implementation of the food safety regulations by the PRC government, processed fruit and other FMCG food related industry saw elimination of the weak players, survival of the strong one and accelerated shuffling.

The Group is a fruit processor persisted in producing preservative-free and high quality products by using natural fruit as raw materials. Facing various market challenges, the Group has sought opportunities to further consolidate its industry position and vigorously promote its own brand in China. During the Year under Review, the Group's quality own brand processed fruit products were continuously highly recognized in market and awarded the honor and qualifications of "China Canned Product Quality Certification Label", making the Group the first and, up to the date of this report, the only fruit processor in China that can use the "preservative-free" label on its products.

The Group continued to implement the parallel development strategy on its own brand and OEM business in 2016 and record impressive performance. During the Year under Review, the Group recorded total revenue and net profit of RMB653.5 million and RMB128.8 million, respectively, representing an increase of 18.1% and 32.9%, as compared with previous financial year. Revenue from its own brand business increased significantly by 87.3% to RMB187.9 million.

According to the prospectus of the Company dated 24 June 2015, the largest canned fruit producer of China had total market sales value of approximately RMB486 million or a market share of 4.3% in 2014. The sales value of China's canned fruit market was estimated to reach RMB12.7 billion in 2016. Meanwhile, the total sales of our processed fruit products reached RMB570.3 million in 2016, accounting for approximately 4.5% of the total predicted sales value of the Chinese canned fruit market in 2016.

Own Brand Product Sales Strategy

From 2015, the Group has been focusing on the consolidation of its own brand products business, with its brands "果小懶", "天同時代 (Tiantong Times)", "繽果時代 (Bingo Times)" and the newly launched brand "果三十". While developing new products to enrich the product line, the Group adopted the online and offline parallel sales strategy with an impressive revenue growth of 87.3% in 2016, which accounted for 28.8% of the Group's total revenues from the sales of processed fruit products.

As for the Group's own brand online sales, the Group stressed on the development of Wechat and Tmall e-commerce platforms, and gained a satisfying sales volume. Thanks to the controllability of the e-commerce platforms, the Group's own brand products and partial limited edition products were strategically launched through these channels. In addition, the Group has accumulated the online sales experience to make preparations for further marketing. Owing to the significant variation of young peoples' consumption habits, e-commerce revealed tremendous sales opportunities and online consumption rate is constantly rising, among which the development of Wechat e-commerce was the most expeditious. Compared to the traditional e-commerce business channel, the Wechat e-commerce platform shared even more advantage.

Since the offline market was always relatively mature, the Group continuously expanded the offline sales network while developing the online sales. During the Year under Review, the Group's own brand business continued to adopt the new distribution system, and the number of regional distributors and regional supermarket distributors increased from 86 on the date of last year's annual report to 126 on the date of this report. The Group's products were sold in 20 Provinces, municipalities and autonomous regions in China.

In addition, "Tiantong Times" brand products were used to expand overseas markets. These products have now successfully entered into the Hong Kong market, and sold in more than 1,000 points of sales, under Wellcome Supermarkets, 7-11 convenience stores, Aeon stores, Green Wing Square Organic Shop, VanGO convenience stores of Vanguard, and OK convenience stores. To enhance the visibility and awareness of the brand in Hong Kong, the Group commenced advertising separately in Roadshow on buses, MTR and TVB since July 2016. The Group actively took part in the Hong Kong Food Fair, H.K. Product Expo, street food tasting and other promotional activities, to let the Group's brand and preservative-free qualities to penetrate into Hong Kong's consumer groups gradually. Driven by the diversified marketing efforts, the Group's brand and products have been recognized and praised in the market.

OEM Sales Strategy

The Group wins praises in relation to OEM business in the international market with its competitive advantages, including high-quality products, compliance with the highest international food safety standards, long-term relationship with international brands, excellent customer service as well as innovative products. Meanwhile, the Group continuously attracts international well-known food brand customers, gradually making it a leading OEM fruit processor in China. Because of the rising consumption demands from developed countries for the processed fruit products and the import orders from these developed countries has been growing due to limited supply within their own countries, traders and food brand leaders are more willing to increase procurement in China, providing opportunities for the Group to stably expand the OEM sales.

Currently, the Group's customer base for OEM covers Canada, America, UK, Germany, Netherlands, Chile, Australia, New Zealand, Japan, Malaysia as well as other markets from the five continents. The number of active OEM customers that ordered our products in 2016 has increased to 44. During the Year under Review, the OEM business in 2016 stably grew, and total sales increased by 2.8% on the year-on-year basis to RMB382.4 million. We successfully controlled the distribution of all OEM customers' contribution and made it more uniform, thus effectively reducing the risk of over reliance on one single customer. During the Year under Review, the contribution to total revenue from our five largest customers has decreased from 38.0% in 2015 to 28.2% in 2016.

Trading of Fresh Fruit

The Group selected and resold a small portion of the fresh fruit to fresh fruit wholesalers in the PRC. During the Year under Review, the revenue from trading of fresh fruit and others was approximately RMB83.2 million, representing 12.7% of the Group's total revenue. Due to the OEM and own brand products as the core competitiveness and the important development segments of the Group, and the increase in revenue in the OEM and own brand segments, the revenue from the fresh fruits segment represented a lesser portion of total revenue when compared with 2015.

Expansion of Production Facilities

In order to meet the increasing demand of consumers at home country and abroad towards high-quality processed fruit, the Group continues to improve production facilities to enhance our production efficiency and quality during the Year under Review. We have now completed part of the upgrading of production line No. 1 and No. 2 which has further improved the production efficiency and level of automation, and reduced the overall labor cost and raw material wastage. During the Year under Review, No. 3 and No. 4 workshops were put into production, which made the designed production capacity of the Group reaching 84,000 tonnes per annum.

Meanwhile, the Group strictly complied with the PRC Food Safety Law (中國食品安全法) and the Implementation Regulations of the PRC Food Safety Law (中國食品安全法實施條例), and introduced more advanced quality control equipment such as gas chromatograph-mass and liquid chromatograph-mass spectrometer for detecting pesticide residues; atomic fluorescence and adoption spectrometer for detecting heavy metal; and X-ray machines that are used for detecting impurities during the packaging process. These had further improved the level of product ingredient and food production safety, and enhanced our competitiveness.

Research and development and promotion

The Group is committed to the research and development of safe and convenient ready-to-eat new products to meet the diverse needs of consumers. During the Year under Review, the new products that the Group researched and developed, or would be promoted included but not limited to:

(i) Stewed pear soup with crystal sugar: The new functional products are mainly promoted in hotels and restaurants, and entertainment venues. The Group has included a variable two-dimensional code which each unit can be sweeped the code twice, one of which will be rewarded to sales staff with fixed shares, and the other will be rewarded to consumers with unfixed shares, to attract more consumption. By scanning the code, the Group can establish a sales database to analyze the sales amount, sales place and customer groups, with which the Group can develop an effective product promotion programs and consider as reference for promotion of other products;

(ii) Fruit puree products: The Group has launched the fruit puree products and received good market response. The Group will conduct free tasting activities more frequently, and let customers freely try the existing and new products together in order to penetrate to the market quickly;

(iii) Upgrading fruit sorbet products: The Group is working with the Japanese partner team to communicate the technology and develop an upgraded fruit sorbet product. This project is now in good progress;

(iv) Fruit jelly products: the Group has enlarged its product sector to the production and sale of fruit jelly. We have successfully developed a variety of fruit jelly, and sold them both on an OEM basis and under its own brands; and

(v) Online tailor-made products: The Group has launched online customized products to expand our diversified services.

The Group has substantially completed the construction of the main structure of the integrated development centre during the Year under Review, which focuses on the functions of the Group such as the research and development, inspection, training marketing, product sales and show room, and convention, for the purpose of strengthening the coordination between departments, and improving the Group's management and market response capacity.

Prospect and Strategies

It is anticipated that opportunities and challenges shall co-exist in 2017. The economic conditions and the prospect of financial market on the global scale are still confronted with lots of uncertainties. Although China's economy is growing stably, it is also facing the impact from external economic environment. The fluctuations of RMB exchange rate will put much consideration into the strategic layout for China's processed-food industry. China's relevant authorities shall continue to strictly implement the regulations and rules regarding the food safety and environmental protection. The industrial chain for the processed food industry will enter into the new stage featuring massive integration and healthy development.

Since processed fruits enjoy the unique advantages in preserving the freshness and nutrition, which are only inferior to the immediately picked fresh fruits, the nutritive value of processed fruits can be maintained to the greatest extent. As the demands from developed Western countries for China's imported processed fruit food continuously rise and the living standards and health consciousness of China's consumers improve constantly, there are robust demands by the global market including China for the high-quality, convenient ready-to-eat, safe and long-storage-life processed fruits, which will significantly support the sustainable development of China's processed fruit industry.

In 2017, the Group will continue to consolidate its market leadership with its own brand and OEM business, and adopt the parallel development strategy.

In the aspect of its own brand business, the Group will further enrich the product series of "繽果時代" (Bingo Times), "果小懶", "天同時代" (Tiantong Times), and "果三十" brands, strengthen the brand and product promotion, and use a series of marketing modes such as regional TV commercials, internet publicity, exhibitions, etc. to penetrate the market. The Group will continue to promote the completeness and maturity of the offline sales network, increase the number of distributors in more cities and regions in the PRC, and use precise marketing strategies to introduce products to more markets. At the same time, the Group will gradually establish the international brand image in the market of Hong Kong, and look for opportunities of its own brand sales in other overseas markets.

Moreover, the Group will follow the trend to invest more resources to develop online sales channels, especially Wechat channels, thus to attract the new generation consumers who prefer to consume though online platform, and try to build a more comprehensive O2O market. Considering the growing popularity of online consumption, the Group believes that the online sales platform will effectively promote the Group's revenue growth in the future.

In terms of OEM business, the Group will strengthen its cooperation with existing customers, and continue to find more international brand and high quality new customers. The Group will actively invite customers to visit its production workshop and R&D centre to show that the Group has sound production equipment and high safety framework on its quality control system, and to enhance customers' confidence on the Group's products.

As Chinese consumers continue to improve their living standard, the processed fruits will play an increasingly important role in their daily diet. Moreover, the food manufacturers will choose the freshest processed fruit ingredients in the most suitable season. The Group will continue to develop new products to meet consumers' demand for different tastes, and plan to introduce more fruit categories such as mandarin orange and other subtropical and tropical fruit varieties to expand the Group' supply chain of processed fruit. To support the diversification of product series, the Group will actively seek opportunities for industry cooperation and merger and acquisition.

At the same time, in order to meet the sustained demand of the processed fruit market, the Group will expand its production capacity in a timely manner. In spite of a busy schedule, the Group's No. 3 and No. 4 production workshops had been put into operations in the second half of 2016. Meanwhile, No. 1 and No. 2 production workshops will continue to carry out automation upgrades and other optimization projects. The Group will also actively proceed with the construction of No. 5 and No. 6 production workshops to meet the expected business growth and capacity demand in the next three to five years.

Looking forward to the future, the Group will keep attaching the importance of providing safe and high quality products, and continuously optimizing the existing portfolio of products and enhancing capability of the product development, in order to meet the new demands of consumers and increase the market share. The Group will seize significant opportunities for development of its own brand products on the solid foundation of OEM business. The Group will continue to consolidate its existing distribution network and develop new channels to take new chances of the fruit product industry driven by the improvement in the consumers' lifestyle and purchasing power. Under the great opportunity of industrial integration, the Group may look for suitable opportunities to implement merger and acquisition, thus to enrich the varieties of processed fruits, improve the productivity and expand the scale.

It is firmly convinced that, with the efforts of all staff and healthy development of the industry, the Group will develop steadily and rapidly to achieve a better performance based on the growth trend in the past, and continue to capture consumers' taste buds with safe, nutritious and delicious processed fruit products.

Financial Review

Revenue

During the year ended 31 December 2016, our revenue increased to approximately RMB653.5 million from approximately RMB553.6 million for the year ended 31 December 2015, representing an increase of approximately RMB99.9 million or 18.1%. The Company continued to sell its processed fruit products on both OEM basis and under its own brand, and engaged in trading of fresh fruits. The increase in revenue was mainly attributable to (i) the substantial increase in the sales of our own brand products from approximately RMB100.3 million for the year ended 31 December 2015 to approximately RMB187.9 million for the year ended 31 December 2016, representing a growth of 87.3%; and (ii) the increase in the OEM sales from approximately RMB372.1 million for the year ended 31 December 2015 to approximately RMB382.4 million for the year ended 31 December 2016, representing a growth of 2.8%.

Breakdown of the revenue by business segments for the year ended 31 December 2016 and the comparative figures in 2015 are set out as follows:

	For the year ended 31 December			
	2016	2015	Changes	
	RMB million	RMB million	RMB million	%
Revenue				
OEM Sales	382.4	372.1	10.3	2.8
Own Brand Sales	187.9	100.3	87.6	87.3
Fresh Fruits Sales and others	83.2	81.2	2.0	2.5
Total	653.5	553.6	99.9	18.1

During the Year under Review, processed fruit products sold under our own brand accounted for 28.8% (2015: 18.1%) of the total revenue and the sales of our own brand products have become the Group's substantial source of revenue. The substantial increase was contributed by the continuous increase in the number of new distributors and the growth of sales from most of the existing distributors. The number of our distributors increased from 86 as at the date of last annual report to 126 as at the date of this report. The revenue through online channels also grew substantially in 2016 and represented 3.4% of our revenue from processed fruit products.

Processed fruit products sold on an OEM basis continued to contribute a significant portion of the total revenue of the Group and represented 58.5% (2015: 67.2%) of the total revenue during the year ended 31 December 2016. Our processed fruit products are sold to international well-known brand owners either by our Group directly to overseas brand owners and trading entities, or through third party trading entities in the PRC. The revenue increased moderately in 2016 and the number of active customers that ordered our products in 2016 increased to 44.

We also sold fresh fruit products and the revenue contributed by fresh fruit sales and others represented 12.7% of the total revenue for the year ended 31 December 2016 (2015: 14.7%). Revenue from fresh fruit sales and others for the year ended 31 December 2016 was broadly in line with last year.

Gross profit and gross profit margin

	For the year ended 31 December			
	2016	2015	Changes	
	RMB million	RMB million	RMB million	%
Gross profit				
OEM Sales	123.6	121.9	1.7	1.4
Own Brand Sales	57.6	32.1	25.5	79.4
Fresh Fruits Sales and others	18.2	18.0	0.2	1.1
Total	199.4	172.0	27.4	15.9

	For the year ended 31 December	
	2016	2015
Gross profit margin		
OEM Sales	32.3%	32.8%
Own Brand Sales	30.7%	32.0%
Fresh Fruits Sales and others	21.9%	22.2%
Overall	30.5%	31.1%

Gross profit for the year ended 31 December 2016 increased to approximately RMB199.4 million from approximately RMB172.0 million for the year ended 31 December 2015, representing a year-on-year increase of RMB27.4 million, or 15.9%. The increase in gross profit was mainly driven by the increase of revenue from Own Brand Sales. The gross margin was broadly in line with last year.

Selling and distribution expenses

Selling and distribution expenses mainly include the transportation costs, promotion expenses, advertising expenses, salary expenses and related staff costs from sales and marketing department. For the year ended 31 December 2016, the selling and distribution expenses amounted to approximately RMB13.2 million, representing a year-on-year increase of approximately RMB1.8 million, or 15.8%. The increase was mainly due to promotion expenses in connection with offering free trial products.

General and administrative expenses

General and administrative expenses mainly include salary expenses and related staff costs for management and administrative departments, professional fees, agency and consulting fees, depreciation, foreign exchange difference, and various taxes with regard to the use of land and buildings. The amount decreased from RMB30.3 million for the year ended 31 December 2015 to RMB17.9 million for the year ended 31 December 2016.

Excluding the one-off listing expenses (2015: approximately RMB20.5 million), general and administrative expenses increased from RMB9.8 million to RMB17.9 million, representing an increase of approximately RMB8.1 million or 82.7% over the year ended 31 December 2015. The overall increase was mainly attributable to the administrative staff costs, professional fees, and agency and consulting fees after listing and additional depreciation arisen from facilities of No. 3 & 4 workshops and sewage treatment system, 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 2016, our income tax expenses increased by RMB5.5 million, or approximately 17.1%, to RMB37.6 million from RMB32.1 million for the year ended 31 December 2015. The increase in the income tax expenses was primarily due to the increase in our assessable profit during the year.

Net profit and net profit margin

	For the year ended 31 December			
	2016	2015	Changes	
	RMB million	RMB million	RMB million	%
Net profit for the year	128.8	96.9	31.9	32.9
Net profit margin	19.7%	17.5%	N/A	N/A

For the year ended 31 December 2016, net profit increased by approximately RMB31.9 million or 32.9% to approximately RMB128.8 million as compared to approximately RMB96.9 million for the year ended 31 December 2015. The net profit margin for the Year under Review is 19.7% (2015: 17.5%).

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 and other borrowings.

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

	As at 31 December 2016	As at 31 December 2015
Gearing ratio (%)	17.2%	13.9%
Current ratio	3.23	3.64
Cash and cash equivalent (RMB million)	224.0	227.0
Net current assets (RMB million)	258.4	257.0
Quick ratio	2.67	3.06

The gearing ratio of the Group as at 31 December 2016 was 17.2% (31 December 2015: 13.9%). Gearing ratio was calculated based on total debts divided by total equity. The amount of total debts was calculated by aggregating the bank and other borrowings and the non-trade nature of amount due to a related company.

The current ratio (calculated based on total current assets divided by total current liabilities) of the Group as at 31 December 2016 was 3.23 (31 December 2015: 3.64).

As at 31 December 2016, our cash and cash equivalents amounted to approximately RMB224.0 million (31 December 2015: RMB227.0 million). Our net current assets was approximately RMB258.4 million as at 31 December 2016, as compared to approximately RMB257.0 million as at 31 December 2015.

The quick ratio (calculated based on total currents assets minus inventory divided by total current liabilities) of the Group as at 31 December 2016 was 2.67 (31 December 2015: 3.06).

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 2016.

Capital structure

The Group's total equity and liabilities amounted to approximately RMB566.2 million and RMB129.5 million, respectively as at 31 December 2016 (31 December 2015: RMB489.3 million and RMB97.3 million).

Bank and other borrowings, and finance costs

As at 31 December 2016, the total amount of an interest-bearing bank borrowing and other borrowings from a leasing company of the Group was RMB97.2 million (31 December 2015: RMB68.0 million). During the Year under Review, the Group obtained two loans from a leasing company in the aggregate principal amount of RMB40.0 million to increase its gearing level.

Finance costs of the Group increased from RMB1.9 million for the year ended 31 December 2015 to RMB2.2 million for the year ended 31 December 2016, representing an increase of approximately RMB0.3 million or 15.8%. Such increase was mainly attributable to the increase in interest expenses of RMB0.8 million with more borrowings which is partly offset by the increase in capitalisation of borrowing costs of RMB0.4 million. The weighted effective interest rate of bank and other borrowings was 5.3% per annum as at 31 December 2016 (31 December 2015: 6.8% per annum).

Pledged assets

The Group pledged its land and buildings as collateral for the bank borrowing and certain plant and equipment, office and computer equipment and furniture and fixtures for borrowings from a leasing company. As at 31 December 2016, the net book value of pledged land and buildings, and plant and equipment amounted to approximately RMB105.9 million.

Capital expenditure

During the Year under Review, our total capital expenditure amounted to RMB103.6 million (2015: RMB120.3 million). We spent approximately RMB71.0 million on additions of construction in progress for the integrated development centre and RMB17.0 million on additions of plant and machinery. The remaining capital expenditure was made mainly on leasehold improvements and motor vehicles.

We also transferred a total amount of RMB60.3 million from construction in progress to building and leasehold improvements, and plant and machinery that were mainly related to the No. 3 and No. 4 workshops and the sewage treatment system, which amounted to approximately RMB42.5 million and RMB12.1 million respectively.

During the Year under Review, the non-current portion of the prepayment was a refundable balance of RMB42.0 million at the PRC government that was brought forward from last year in preparation for participating in the auction for a parcel of land for our No. 5 and No. 6 production workshops.

Interest rate risk

The Group has not used any derivatives to hedge against interest rate risk. The interest rate risk of the Group arises from the bank balances at floating interest rates and the bank and other borrowings. The bank borrowing obtained at variable rate exposes the Group to cash flow interest rate risk which is partially offset by the bank balances held at variable rates. The borrowings of the Group from a leasing company at fixed rates also expose the Group to fair value interest rate risk. During the Year under Review, the bank and other 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 bank deposits and trade receivables denominated in the United States dollar and Hong Kong dollar. Foreign exchange risk also arises from sales transactions in foreign currencies with overseas customers which have been mostly conducted in United States dollars. The monetary assets of the Group were denominated in Hong Kong dollars, Renminbi and United States dollars. The Group has not implemented any hedging measures to mitigate the aforesaid foreign exchange risk.

Human resources

As at 31 December 2016, the number of employees of the Group was 573 (31 December 2015: 413). The increase in headcount was mainly from production function that was attributable to the opening of No. 3 and No. 4 workshops.

The total staff costs, including Directors' emoluments, amounted to approximately RMB20.9 million for the Year under Review (2015: approximately RMB18.1 million).

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

Commitments and contingent liabilities

As at 31 December 2016, the Group did not have other material capital commitments. In addition, the Group did not have any material outstanding contingent liabilities. The capital commitments contracted for but not yet incurred and provided for as of 31 December 2016, amounted to approximately RMB18.4 million and mainly comprised the committed expenditure of machines and equipments, and building and leasehold component for the integrated development centre.

Material acquisitions and disposals

During the year ended 31 December 2016, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

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

The Group intends to acquire a company in the PRC which is principally engaged in the production and sales of processed fruit products (the "Target Company"). The Target Company is based in the central part of the PRC and has its own production facilities. Through the acquisition, the Company can establish a production and distribution base in the central part of the PRC for further business expansion and development of subtropical processed fruit products. The Group is currently in the process of conducting legal and financial due diligence on the Target Company.

As at the date of this report, a non-legally-binding agreement has been entered into between the Group and the owners of the Target Company. Further details will be announced in accordance with the Listing Rules in due course once the intended acquisition is confirmed.

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. During the year under review, the Company has complied with the relevant provisions of the CG Code, save and 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 Year under Review.

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 for the Year under Review 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 48 to 50 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 the 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 has given 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 2016, the Board held four meetings and the individual attendance of each Director at those meetings are as follows:

Name of Director	Number of Board meetings attended
Mr. Yang Ziyuan	4/4
Mr. Sun Xingyu	4/4
Ms. Chu Yinghong	4/4
Mr. Wong Yim Pan	4/4
Mr. Liang Zhongkang	4/4
Mr. Tsang Yuen Wai	4/4
Ms. Hui Yung Yung Janet	4/4

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 will receive 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 a training course in 2016 on corporate governance and inside information and all Directors on line 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 2016, the Audit Committee held two meetings to review the annual results for the year ended 31 December 2015 and to review the interim results for the six months ended 30 June 2016 of the Company. Subsequent to 31 December 2016, The Audit Committee held a meeting on 27 March 2017 and reviewed the annual results for the year ended 31 December 2016. The individual attendance of each relevant Director at those meetings are as follows:

Name of Director	Number of meetings attended
Mr. Tsang Yuen Wai	2/2
Mr. Liang Zhongkang	2/2
Ms. Hui Yung Yung Janet	2/2

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 nonexecutive 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 those 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 2016, the Nomination Committee held one meeting 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. The individual attendance of each relevant Director at the meeting are as follows:

Name of Director	Number of meeting attended
Mr. Yang Ziyuan	1/1
Mr. Liang Zhongkang	1/1
Mr. Tsang Yuen Wai	1/1
Ms. Hui Yung Yung Janet	1/1

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 2016, the Remuneration Committee held one meeting to approve the remuneration packages and performance bonus for the Directors and senior management of the Company. The individual attendance of each relevant Director at the meeting are as follows:

Name of Director	Number of meeting attended
Mr. Liang Zhongkang	1/1
Mr. Yang Ziyuan	1/1
Mr. Tsang Yuen Wai	1/1
Ms. Hui Yung Yung Janet	1/1

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.

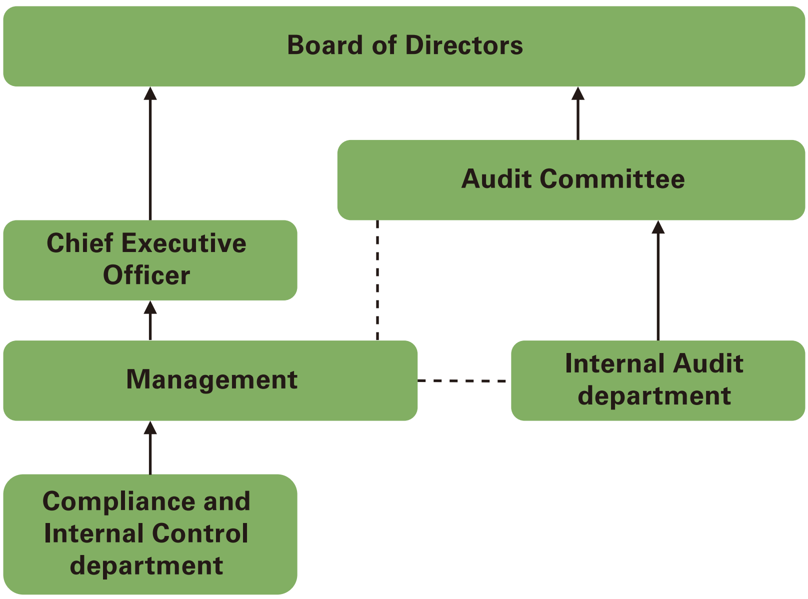
The primary function of the Strategy Development Committee is to formulate the overall business strategies of the Group. The Strategic Development Committee is also responsible for monitoring the implementation of the business strategies of the Group.

During the year ended 31 December 2016, the Strategic Development Committee held one meeting to review of business decision and advise on future business development and strategies of the Company. The individual attendance of each relevant Director at the meeting are as follows:

Name of Director	Number of meeting attended
Mr. Yang Ziyuan	1/1
Mr. Liang Zhongkang	1/1
Mr. Sun Xingyu	1/1
Mr. Wong Yin Pan	1/1
Ms. Chu Ying Hong	1/1

Risk Management and Internal Control

Sufficient and effective risk management and internal control systems provide reasonable guarantee for the realisation of the Company's strategic objectives. In order to guarantee the effectiveness of risk management and internal control systems, the Group, under the supervision and guidance of the Board, has adopted systematic risk management methods and established a risk management and internal control organization structure with clear responsibilities and reporting procedures to identify and alleviate the risks impeding the accomplishment of corporate objectives, which is in line with the requirements of the Stock Exchange on amendments to relevant CG Code provisions on risk management.



The Board is responsible for assessing and determining the nature and extent of risks that the issuer is willing to accept for achieving the purposes, and procuring the Company to set up and maintain proper and effective risk management and internal control systems; and supervising the management's design, implementation and monitoring of risk management and internal control system through the Audit Committee.

In addition to monitoring the Company's finance, internal control and risk management, the Audit Committee is also in charge of monitoring the implementation of relevant amended CG Code provisions on risk management.

The Management is responsible for the design, implementation and monitoring of risk management and internal control systems, and confirming the effectiveness of risk management and internal control systems and making a report to the Board in this regard at least once a year.

The Compliance and Internal Control Department is responsible for coordinating and arranging risk assessment and risk response, and promoting risk management and risk assessment.

The Internal Audit Department must arrange post check, audit and monitoring for the risk management and internal control systems, and conduct independent assessment for internal audit activities.

These systems aim at management instead of elimination of the risks that may impede us from realisation of the Company's strategy and making reasonable and non-absolute guarantee for material misrepresentation or loss.

Risk management procedures

The Group has established a risk management framework, including the construction of the architecture for the aforementioned organisation and definition of the responsibilities of all parties concerned, and prepared risk management policies and processes and clarified the risk assessment procedures, which, specifically include risk identification, risk analysis, risk control and risk report.

Step 1: Risk identification – identify current risks exposed to the Group and business and existing management and control measures therefor.

Step 2: Risk analysis – analyse the possibility, extent of influence and existing management and control measures, identify risk exposure, and propose further countermeasures.

Step 3: Risk control – implement and periodically detect the identified risks to ensure effective operation of risk countermeasures.

Step 4: Risk report – summarise the results of risk management analysis, prepare action plans and report to the management, Audit Committee and the Board.

During the Year under Review, the Group engaged an independent professional agency to assist the Compliance and Internal Control Department in carrying out risk assessment, analysing the risks in terms of possibility and extent of influence, and determining the risks of the Group. With the assistance of the Audit Committee, the Board has reviewed and been aware of the effectiveness and sufficiency of risk management and internal control systems of the Group.

Internal control

The Group has developed an internal control mode, following the principle of COSO, consisting of five elements, i.e. control environment, risk assessment, control, information and communication, and monitoring. In this control mode, the Group's management is responsible for design and implementation of internal control measures and maintenance of the effectiveness thereof, and the Board and Audit Committee will supervise the appropriateness of internal control measures as designed by the management and the effective implementation of internal control measures.

In order to comply with the requirements of the CG Code on risk management and internal control of the Group, the Group has set up an Internal Audit Department, with an aim to continuously improve the effectiveness of risk management and internal control of the Group. The manager of Internal Audit Department should prepare a risk-oriented annual audit plan, and, on the basis of risk assessment results, determine the work focus of internal audit that is in line with the organization objective. The annual plan should be subject to approval by the Audit Committee.

The establishment of internal control system is for the purpose of management of possible risks instead of elimination of risks. Meanwhile, the internal control should adapt to the Group's scale of operation, scope of business, competition and risks, and be subject to adjustments according to changes in circumstances in a prompt manner. It will be a long-lasting and continuous work to improve internal control system, execute standard system and intensify supervision and examination of internal control.

Inside information

The Group has formulated relevant policies and processes for inside information management. It is stipulated that the Group's inside information should be collected and determined as to whether it constitutes inside information by the secretary of the Board, and then be submitted to the management for review and assessment of the extent of its influence before submission to the Board for discussion and determination of disclosure. With a view to effectively implement the policy treatment procedures for the Group's inside information, the Group has provided inside information training for Directors, supervisor, management and other personnel with possible access to inside information.

Review of the effectiveness of risk management and internal control systems

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

In 2016, the Audit Committee, on behalf of the Board, conducted a review on the effects of the Group's risk management and internal control systems. As suggested by the Audit Committee, the Board was satisfied that the Group has complied with the provisions regarding risk management and internal controls as required under the CG Code. For the year ended 31 December 2016, the Board is of the view that the risk management and internal control systems are effective and sufficient, and no material matters which may affect the Shareholders were identified in relevant periods.

For details of the Group's shortcomings in operation or potential risks identified in the year ended 31 December 2016 and countermeasure therefor, please refer to the "Report of the Directors" in the annual report.

Auditors' Remuneration

During the Year under Review, the remuneration provided and paid to the Company's external auditors, PricewaterhouseCoopers, was approximately RMB1.5 million and RMB0.3 million for audit services and non-audit services respectively. The non-audit services rendered was the fees for the 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 2016 are set out on page 53 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 2016 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

During the year ended 31 December 2016, 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 are 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.

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 2016.

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 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 17 to 25 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 continued to implement the parallel development strategy on its own brand and OEM business in 2016 and continued to record a remarkable performance with revenue and net profit increased by 18.1% and 32.9% respectively, including approximately 87.3% year-on-year revenue growth of our own brand products, which accounted for 28.8% of the group's total revenues from the sales of processed fruit products. Both revenue from processed fruit products sold on an OEM basis and revenue contributed by fresh fruit sales recorded a steady growth.

Environmental, Social and Governance

During the year, the Group follows the development commitments of "protecting environment, people oriented, law-abiding, honest and impartial, customer focus", we continue to improve all aspects of the operating policies, and received wide recognition. 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. Details are set out on page 7 to 16 of this annual report in the section headed "Environmental, Social and Governance Report" of this annual report.

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 ended 31 December 2015 and 2016, we have invested over RMB12 million in upgrading our sewage treatment facilities. The Group's phase II project of the sewage treatment plant carried out previously has been put into operation, which helped to improve the overall operating process. 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 the 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

We always take people as the foremost. The Group also recognises the importance of good working relationship with its employees. During the year, the Group has not experienced any significant problems with its employees nor significant labour disputes or industrial actions. The Group continued to support the social responsibilities for long-term, and contribute to the society enthusiastically, as all the related plans have been arranged since the establishment of the company while promoting the development of enterprises. In terms of the human resources management, we have established a sound personnel management program, including the protection of labour rights and interests to avoid illegal recruitment as well as the staff training system, etc. 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 sales and manufacturing of processed fruits products and trading of 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 headed "Financial risk management" to the Consolidated Financial Statements of this annual report.

The Company performed scientific analysis and streamlining for the Company's shortcomings in operation or potential risks as identified in work in 2016 to identify critical risks that may affect the Company's operation in the future. For the effects of each category of risks on the Group, the Group has given a detailed description, and prepared corresponding alleviating/avoiding measures to manage such risks. Details are as follows:

Risk in respect of Product Quality and Food Safety

Product quality and food safety are crucial to the food processing industry and the Group has always attached great importance thereto. The risk in respect of product quality and food safety refers to the defect in products or failure of meeting relevant standards, or the risk in respect of raw materials, production process and other product-related food safety issues.

Risk Management Measures: The Group is committed to provision of healthy and safe products for customers in strict compliance with international production standards and obtaining BRC(A^+), IFS food (High), HALAL, QS, KOSHER and ISO22000 certificates for production facilities, quality control and management. The Group will continue to strengthen regulation over procurement of raw and auxiliary materials. Due to the establishment of an effective supplier evaluation mechanism, all the suppliers are reviewed regularly to reassure that they have a required level of corporate credit and product quality, thus ensuring the product quality and safety from the original source. Continuous efforts are made to provide intensified professional skill training for the staff of quality control, production management and R&D departments, and conduct test and examination for the raw and auxiliary materials to be warehoused. The finished products to be warehoused are subject to test by batches with stringent processes, so as to ensure safe and sanitary product production process. In addition, test and examination should be conducted for the products before delivery to prevent the delivery of disqualified products. The Group has established and continuously improved the product tracing mechanism, and has a product quality emergency response plan in place.

Merger and Acquisition Risk

In order to satisfy the increasing order demands, the Group may expand its production capacity and enrich its product category through acquiring other food processing and manufacturing enterprises in the next few years. Acquisitions may be subject to risks including unforeseeable litigations, conflict between the culture of acquisition target and existing culture, poor financial position of acquisition target, and excessive distraction of the Group's resources and management's concern in acquisition.

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

Brand Publicity Risk

The Group will continue its strategy to develop the OEM and own brand business in parallel. Brand publicity risk refers to the risk of brand reputation's (including the extent or coverage of brand influence) failure of meeting expectations due to lack of brand promotion strategy or supporting resources.

Risk Management Measures: The Group's existing registered brands include "果小懶","Bingo Time" and "Tiantong Times". Ever since the last year, the Group has vigorously consolidated its own brand product business, and engaged professional public relation companies to handle the possible critical incidents prejudicial to the Group's image. Internally, the Group has also arranged personnel to collect adverse reports on the Group and submit the same to the management in a prompt manner, and the management will deal with the matter in accordance with the policies and processes of the Group. The Group enhances its brand reputation and influence through proactively attending the industry forum and other activities as organised by the China Canned Food Industry Association. Moreover, the Group plans to engage professionals in brand building, and, with the assistance of the market brand consultant, and gradually increase investment in advertisement to promote brands and the Group's image by further leveraging on media resources.

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.

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	34.0	–
Enhance our brand awareness and promote the on-line shopping platform	34.0	4.8	29.2
Enhance our research and development capabilities	11.3	11.3	–
Enhance the information technology systems and infrastructure	11.3	11.3	–
Working capital and general corporate purposes	22.7	22.7	–

Future business development

The Group will keep attaching the importance of providing safe and high quality products, and continuously optimizing the existing portfolio of products and enhancing capability of the product development, in order to meet the new demands of consumers and increase the market share. The Group will seize significant opportunities for development of its own branded products on the solid foundation of OEM business. The Group will continue to consolidate its existing distribution network and develop new channels to take new chances of the fruit product industry driven by the improvement in the consumers' lifestyle and purchasing power. Under the great opportunity of industrial integration, the Group may look for suitable opportunities to implement mergers and acquisitions, thus to enrich the varieties of processed fruits, improve the productivity and expand the scale.

Results and Dividend

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of comprehensive income on page 55. The Board has proposed a final dividend of HK$0.025 per share for the year ended 31 December 2016, to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 25 May 2017. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company (the "2017 AGM"), the final dividend will be paid on or about 15 June 2017.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from 11 May 2017 to 16 May 2017 (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 2017 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 10 May 2017.

For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from 23 May 2017 to 25 May 2017 (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 22 May 2017.

Major Customers and Suppliers

During the year, the aggregate sales to the Group's five largest customers accounted for approximately 28.2% of the Group's total revenue and sales to the Group's largest customer was approximately 7.7% of the Group's total revenue.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 29.1% of the Group's total purchases, and the purchases attributable to the Group's largest supplier was approximately 8.6% 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 2016, the Company's reserves available for distribution amounted to approximately RMB58.0 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 five financial years and of its consolidated assets and liabilities as at the end of the past five financial years is set out on page 98 of this annual report.

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

During the year ended 31 December 2016, the Company repurchased 20,424,000 of its own ordinary shares on the Stock Exchange for a total consideration of approximately RMB14.1 million. 17,000,000 ordinary shares were cancelled during the year and the remaining 3,424,000 ordinary shares had not been cancelled but was subsequently cancelled in January 2017. The repurchases were effected by the Directors for the enhancement of shareholders' value. Details of the shares repurchased are as follows:

Month of repurchase	Number of shares	Repurchase price per share Highest (HK$)	Lowest (HK$)
July 2016	750,000	0.75	0.75
August 2016	4,250,000	0.87	0.85
September 2016	2,400,000	0.86	0.84
October 2016	370,000	0.83	0.82
November 2016	8,304,000	0.80	0.78
December 2016	4,350,000	0.76	0.75

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year. Details of the share repurchases and other movements in the share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

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.

Arrangements to Purchase Shares or Debentures

Save for the Share Option Scheme (as defined below) and the Share Award Scheme (as defined below), at no time during the year was the Company, its controlling shareholders, holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

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.

Movements of the Company's share options during the year ended 31 December 2016 were as follows:

Grantee	Outstanding 01/01/2016	Exercised during the year ended 31/12/2016	Forfeited during the year ended 31/12/2016	Outstanding at 31/12/2016	Date of Grant	Exercised period	Exercise price (HK$)	Price of the Company's share immediately before the grant date
Key management	1,020,000	–	–	1,020,000	06/10/2015	Note 1	1.70	1.70
Other Employees	4,980,000	–	–	4,980,000	06/10/2015	Note 1	1.70	1.70
	6,000,000	–	–	6,000,000				
Key management	–	–	–	1,410,000	21/04/2016	Note 2	0.97	0.93
Other Employees	–	–	–	6,290,000	21/04/2016	Note 2	0.97	0.93
	–	–	–	7,700,000				
Total	6,000,000	–	–	13,700,000				

Note:

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

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

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

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

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

   (a) 50% of the share options shall be exercisable during the period from 1 January 2017 to 31 December 2019 (upon vesting of the same on 31 December 2016 on the condition that the relevant grantee is still the employee of the Group at the material time);

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

   (c) 25% of the share options shall be exercisable during the period from 1 January 2019 to 31 December 2021 (upon vesting of the same on 31 December 2018 on the condition that the relevant grantee is still the employee of the Group at the material time).

Share Award Scheme

On 30 March 2016, to provide incentives to the selected participants (including, inter alia, directors, employees, officers, agents or consultants of the Company or any of its subsidiaries) and allow the Group to attract and retain talents for the continued operation and development of the Group, the Board has resolved to adopt the share award scheme (the "Share Award Scheme"). During the year ended 31 December 2016, no share was granted under the Share Award Scheme.

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 laws 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 employees employed in Hong Kong are 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 Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

The total expense recognised in profit or loss of approximately RMB1.7 million (2015: RMB2.3 million) represents contributions paid and payable to the retirement benefit scheme during the year ended 31 December 2016.

Donations

In 2016, we donated a total of HK$97,957 for charitable purpose (2015: HK$1 million).

Directors

The Directors during the year ended 31 December 2016 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 Articles 75(1) and (2) of the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

According to Articles 75(1) and (2) of the Articles of Association of the Company, Mr. Sun Xingyu, Mr. Wong Yim Pan and Mr. Tsang Yuen Wai will retire by rotation during the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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 48 to 50 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 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 2016.

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.

Deed of Non-Competition

In accordance with the terms of a deed of non-competition in favour of the Company dated 16 June 2015 (the "Non-competition Deed"), each of Wealthy Active Limited and Mr. Yang Ziyuan (collectively, the "Covenantors") has provided with the Company an annual confirmation in respect of its/his compliance with the terms of the Non-competition Deed. Under the terms of the Non-competition Deed, each of the Covenantors has undertaken to the Company to, among others, procure that it/he or any of its/his associates will not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of the Group or any business activities which the Group may undertake in the future.

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 with 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 2016, 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	447,067,000 (note 1)	45.48%
Ms. Chu Yinghong	Interest of spouse	447,067,000 (note 2)	45.48%
Mr. Sun Xingyu	Interest of a controlled corporation	110,000,000 (note 3)	11.19%
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 2016, 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 2016, 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	447,067,000	45.48%
Wealthy Maker Limited (note 2)	Beneficial owner	110,000,000	11.19%
Sino Red Limited (note 3)	Beneficial owner	76,111,000	7.74%

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 2016.

Corporate Governance Practices

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report as set out on pages 27 to 35 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 2016.

Auditor

The consolidated financial statements for the year ended 31 December 2016 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, 27 March 2017

Biographical Details of Directors and Senior Management

Executive Directors

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

Mr. Yang Ziyuan, aged 53, was appointed as our executive Director, Chairman of the Board and the Chief Executive Officer 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 is the spouse of Ms. Chu Yinghong, one of our non-executive Directors.

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 Linyi Yuanyu Trading Co., Ltd. (臨沂遠宇貿易有限公司) ("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 56, 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 56, 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 between 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 49, 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 72, 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 41, 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.

Biographical Details of Directors and Senior Management

Ms. Hui Yung Yung Janet (許蓉蓉)

Ms. Hui Yung Yung Janet, aged 51, 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 52, 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 40, was appointed as our Chief Financial Officer and Company Secretary in February 2015. Prior to joining the Company, Mr. Ho was the chief financial officer of the Tuenbo Group Limited. Prior to that, he held various senior positions in Wisdom Asset Management Limited, Hermes Capital Limited and Evolution Group Limited (now known as Investec Group) specialized in asset management, private equity, and corporate finance. Mr. Ho also worked for PricewaterhosueCoopers Hong Kong, KPMG UK and Grant Thornton Corporate Finance UK from 1998 to 2006 specialising in audit, advisory and corporate finance.

Mr. Ho graduated from the University of Chicago Booth School of Business with a MBA degree. He also obtained a Bachelor of Arts (Honours) degree in accountancy from City University of Hong Kong and a Master of Science degree in financial economics from University of London. Mr. Ho is currently a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Jiang Xiulan (姜秀蘭), aged 45, 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 43, 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.

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)

Opinion

What we have audited

The consolidated financial statements of Tianyun International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 97, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit relates to appropriateness of the capitalisation of construction costs of an integrated development centre as construction in progress.

Key Audit Matter	How our audit addressed the Key Audit Matter
Appropriateness of the capitalisation of construction costs of an integrated development centre as construction in progress *Refer to Note 14 to the consolidated financial statements* The additions of construction costs of an integrated development centre capitalised as construction in progress amounted to approximately RMB71 million for the year ended 31 December 2016, within which RMB1.5 million related to capitalised interest expense for the year. Costs capitalised included costs of construction materials, engineering and construction costs, costs of machinery and equipment acquired for installation, salaries and employee benefits of the project team, the interest expense on general and specific purposes bank borrowings used to finance the construction and other directly related costs. Management performed an assessment as to whether the costs of the project should be capitalised. This assessment required management's judgement on whether the costs to be capitalised are directly attributable to the construction. In addition, the amount of costs of the integrated development centre capitalised as construction in progress was significant. Therefore, we focused on this area in our audit.	Our procedures focused on assessing the appropriateness of the capitalisation of the costs of the integrated development centre as construction in progress. Our procedures in relation to management's assessment include: • Obtained the listing of the costs related to the integrated development centre, and inquired management to understand the nature and purpose of the costs capitalised; • Evaluated the relevancy of these costs to the development project; • Performed checking of these costs on a sample basis to the underlying supporting documents including construction contracts, supplier invoices, and payroll records of the relevant project team. Based on the supporting documents examined, we corroborated the explanations from the project manager and senior management that the costs capitalised were directly attributable to the construction of the development centre; • Performed checking of other costs not being capitalised, on a sample basis, to the underlying supporting documents, including supplier invoices, and corroborated the explanations from management that these costs were expenses in nature; • Evaluated the capitalisation of interest expense on the relevant general and specific bank borrowings by reference to the capitalisation criteria set out in Note 2.17 to the consolidated financial statements, and re-performed management's calculation of the capitalised interest expense. Based on the above work performed, we found management's assessment to be supportable by the evidence obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cecilia, Lai Ting Yau.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	*6*	**653,474**	553,618
Cost of sales	*7*	**(454,102)**	(381,628)
Gross profit		**199,372**	171,990
Other income	*6*	**97**	345
Selling and distribution expenses	*7*	**(13,201)**	(11,390)
General and administrative expenses	*7*	**(17,887)**	(30,329)
Operating profit		**168,381**	130,616
Finance income		**207**	266
Finance costs		**(2,230)**	(1,865)
Finance costs – net	*9*	**(2,023)**	(1,599)
Profit before income tax		**166,358**	129,017
Income tax expense	*10*	**(37,582)**	(32,100)
Profit for the year attributable to equity holders of the Company		**128,776**	96,917
Total comprehensive income for the year attributable to equity holders of the Company		**128,776**	96,917
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB cents)			
– Basic earnings per share	*11*	**12.93**	11.12
– Diluted earnings per share	*11*	**12.93**	11.12

The notes on pages 59 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	*13*	**58,425**	59,874
Property, plant and equipment	*14*	**220,963**	126,925
Prepayments	*18*	**42,000**	45,515
		321,388	232,314
Current assets			
Inventories	*16*	**65,119**	56,220
Trade and other receivables	*18*	**85,190**	71,036
Cash and cash equivalents	*19*	**224,001**	226,995
		374,310	354,251
Total assets		**695,698**	586,565
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*20*	**236,114**	248,057
Reserves	*21*	**330,046**	241,225
Total equity		**566,160**	489,282
LIABILITIES			
Non-current liabilities			
Other borrowings	*25*	**13,677**	–
Total non-current liabilities		**13,677**	–
Current liabilities			
Trade payables	*23*	**14,731**	9,175
Accruals and other payables	*24*	**16,800**	15,540
Amount due to a related company	*29(c)*	**5**	5
Bank and other borrowings	*25*	**83,516**	68,000
Current income tax liabilities		**809**	4,563
Total current liabilities		**115,861**	97,283
Total equity and liabilities		**695,698**	586,565

The notes on pages 59 to 97 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 55 to 97 were approved by the Board of Directors on 27 March 2017 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 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 then 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 22)*	–	–	–	–	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

For the year ended 31 December 2016

	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 2016	**248,057**	**84,663**	**(3,100)**	**2,500**	**823**	**156,339**	**489,282**
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**128,776**	**128,776**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**128,776**	**128,776**
Transaction with owners							
Transfers *(note 21)*	**–**	**–**	**–**	**20,000**	**–**	**(20,000)**	**–**
Buy-back of shares (note 20(d))	**(11,943)**	**(2,194)**	**–**	**–**	**–**	**–**	**(14,137)**
Dividends relating to 2015 paid *(note 12)*	**–**	**(25,437)**	**–**	**–**	**–**	**–**	**(25,437)**
Dividends relating to 2016 paid *(note 12)*	**–**	**(13,819)**	**–**	**–**	**–**	**–**	**(13,819)**
Employees share option scheme:							
– share-based compensation expenses *(Note 22)*	**–**	**–**	**–**	**–**	**1,495**	**–**	**1,495**
Total transactions with owners	**(11,943)**	**(41,450)**	**–**	**20,000**	**1,495**	**(20,000)**	**(51,898)**
Balance at 31 December 2016	**236,114**	**43,213**	**(3,100)**	**22,500**	**2,318**	**265,115**	**566,160**

The notes on pages 59 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	*26(a)*	**166,033**	97,838
Interest paid		**(2,230)**	(3,593)
Income tax paid		**(41,336)**	(34,954)
Net cash generated from operating activities		**122,467**	59,291
Cash flows from investing activities			
Purchases of property, plant and equipment		**(101,545)**	(58,860)
Purchases of leasehold land and land use rights		**–**	(60,598)
Prepayments paid for purchase of land use rights and property, plant and equipment		**–**	(45,515)
Proceeds from disposals of property, plant and equipment	*26(b)*	**77**	20
Interest received		**207**	266
Net cash used in investing activities		**(101,261)**	(164,687)
Cash flows from financing activities			
Repayment to a director		**–**	(7,311)
Repayment to a related company		**–**	(90)
Net contributions from the then immediate holding company		**–**	31,141
Proceeds from loans from a leasing company		**40,000**	–
Repayments of loans from a leasing company		**(10,807)**	–
Proceeds from bank borrowing		**68,000**	68,000
Repayments of bank borrowings		**(68,000)**	(33,000)
Dividends paid to shareholders	*12*	**(39,256)**	–
Buy-back of shares	*20*	**(14,137)**	–
Proceeds from issuance of ordinary shares	*20*	**–**	256,000
Share issuance costs	*20*	**–**	(13,944)
Net cash (used in)/generated from financing activities		**(24,200)**	300,796
Net (decrease)/increase in cash and cash equivalents		**(2,994)**	195,400
Cash and cash equivalents at beginning of year		**226,995**	31,595
Cash and cash equivalents at end of year	*19*	**224,001**	226,995

The notes on pages 59 to 97 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1 General information of the Group and Group organisation

1.1 General information

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

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

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

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

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

The consolidated financial statements of the Group 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.

(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 2016

HKFRS 14	Regulatory Deferral Accounts
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 16 and HKAS 38 (Amendments)	Classification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
Annual improvements project	Annual Improvements 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKAS 1 (Amendment)	Disclosure Initiative

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 of operation and financial position for the current or prior accounting periods reflected in these consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

		Effective for annual periods beginning on or after
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKAS 7 (Amendments)	Statement of cash flows	1 January 2017
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
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 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

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.

2.2 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.

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.

2 Summary of significant accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation (continued)

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.

2.2.2 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.

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.

2 Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value 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).

2.8.2 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 Summary of significant accounting policies *(continued)*

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 asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. 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.

2.11 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 labour, 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 Summary of significant accounting policies *(continued)*

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 statement 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.

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.

2 Summary of significant accounting policies *(continued)*

2.18 Current and deferred income tax *(continued)*

(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.

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 Summary of significant accounting policies *(continued)*

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.

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 Summary of significant accounting policies *(continued)*

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 consolidated statement of comprehensive income 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.

2.24 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 2016, 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 RMB393,000 (2015: RMB492,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated trade receivables.

As at 31 December 2016, 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 RMB3,226,000 (2015: RMB8,133,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated cash and cash equivalents.

(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 and other borrowings. Bank borrowing obtained at variable rate exposes the Group to cash flow interest rate risk which is partially offset by bank balances held at variable rates. The Group's other borrowings at fixed rates expose the Group to fair value interest rate risk. During 2016 and 2015, the Group's bank and other borrowings were denominated in RMB.

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

As at 31 December 2016, if interest rate had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB337,000 (2015: RMB183,000) lower/higher, mainly as a result of higher/lower of interest expenses on variable rate bank borrowing.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

Credit risk is managed on a group basis. The credit risk of the Group mainly arises from cash and cash equivalents 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 2016 and 2015, cash and cash equivalents are all deposited 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 2016, top 3 customers of the Group accounted for approximately 23% (2015: 33%) 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.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the consolidated and company statements of financial position.

(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.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
At 31 December 2016			
Trade payables	**14,731**	**–**	**14,731**
Other payables	**7,614**	**–**	**7,614**
Amount due to a related company	**5**	**–**	**5**
Bank and other borrowings	**86,752**	**14,540**	**101,292**
	109,102	**14,540**	**123,642**

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
At 31 December 2015			
Trade payables	**9,175**	**–**	**9,175**
Other payables	**5,221**	**–**	**5,221**
Amount due to a related company	**5**	**–**	**5**
Bank and other borrowings	**69,834**	**–**	**69,834**
	84,235	**–**	**84,235**

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 and other borrowings and the non-trade nature of amount due to a related company as at 31 December 2016 and 2015.

The gearing ratios were as follows:

	2016 RMB'000	2015 RMB'000
Total debts	**97,198**	68,005
Total equity	**566,160**	489,282
Gearing ratio	**17.2%**	13.9%

The increase in the gearing ratio during 2016 was resulted primarily from the fund raised from the loans from a leasing company.

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 a related company and bank and other borrowings, approximate their fair values due to their short maturities.

3 Financial risk management *(continued)*

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) Capitalisation of costs as construction in progress

Construction in progress is stated at cost less accumulated impairment losses. Management judgement is required as to whether the respective costs should be capitalised as construction in progress by assessing: (i) whether these costs are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; (ii) when the capitalisation of these costs shall cease (the time when the construction activities necessary to prepare the asset for its intended use are completed).

(b) 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.

(c) 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.

(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)*

(e) Impairment of non-financial assets *(continued)*

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.

(f) 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 expected dividend yield 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:

	Granted on 21 April 2016	**Granted on 6 October 2015**
Stock price as of the date of grant	**HK$0.93**	HK$1.7
Exercise price	**HK$0.97**	HK$1.7
Expected volatility *(note i)*	**35.44%-36.21%**	35.54%-36.03%
Expected life	**3.7-5.7 years**	3.24-5.24 years
Risk-free rate *(note ii)*	**0.85%-1.06%**	0.61%-0.93%
Expected dividend yield *(note iii)*	**2.1%**	0%

Note i: Expect 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.

Note iii: Expected dividend yield was determined with reference to historical dividend payment up to the date of grant.

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 2016, the Group's revenue of RMB596,701,000 (2015: RMB493,201,000) was generated from customers in the PRC, and the Group's revenue of RMB56,773,000 (2015: RMB60,417,000) 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 which contribute over 5% of total revenue of the Group for any of the years ended 31 December 2016 and 2015 are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Customer A	**50,294**	53,347
Customer B	**36,925**	36,675
Customer C	**34,666**	37,217
Customer D	**32,279**	53,073
Customer E	**30,222**	29,948

6 Revenue and other income

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

	Year ended 31 December	
	2016	**2015**
	RMB'000	**RMB'000**
Revenue		
Domestic sales	**596,701**	493,201
Direct overseas sales	**56,773**	60,417
Total sales of goods	**653,474**	553,618
Other income		
Government subsidies	**97**	345

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	
	2016	**2015**
	RMB'000	**RMB'000**
Auditors' remuneration		
– Audit services	**1,479**	1,248
– Non-audit service	**256**	–
Cost of inventories sold	**428,992**	359,269
Depreciation of property, plant and equipment *(Note 14)*	**9,475**	5,117
Amortisation of leasehold land and land use rights *(Note 13)*	**1,449**	724
Employee benefit expenses (including directors' emoluments) *(Note 8)*	**20,869**	18,078
Legal and professional fees	**2,226**	390
Professional expense in respect of listing	**–**	20,494
Loss on disposals of property, plant and equipment *(Note 26(b))*	**10**	106
Operating lease payments	**423**	639
Land taxes, surcharges and other taxes	**7,703**	7,173
Transportation expenses	**5,849**	5,542
Foreign exchange gains, net	**(9,164)**	(6,661)
Others	**15,623**	11,228
Total cost of sales, selling and distribution expenses and general and administrative expenses	**485,190**	423,347

8 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December	
	2016	**2015**
	RMB'000	**RMB'000**
Wages and salaries	**16,437**	14,294
Discretionary bonuses	**1,156**	663
Social security costs for the PRC employees	**1,743**	2,277
Defined contribution for Hong Kong employees – MPF	**38**	21
Share-based compensation expenses *(Note 22)*	**1,495**	823
	20,869	18,078

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 include two directors (2015: two) whose emoluments are reflected in the analysis shown in Note 31. The emoluments paid/payable to the remaining three (2015: three) individuals are as follows:

	Year ended 31 December	
	2016	**2015**
	RMB'000	**RMB'000**
Basic salaries, allowances and benefits in kind	**933**	763
Discretionary bonuses	**20**	9
Social security costs	**10**	27
Defined contribution – MPF	**31**	21
Share-based compensation expenses	**230**	123
	1,224	943

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	
	2016	**2015**
Emolument bands (in Hong Kong dollars ("HK$"))		
Nil to HK$1,000,000	**2**	3
HK$1,000,001 – HK$2,000,000	**1**	–

9 Finance costs – net

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Finance income		
– Interest income on short-term bank deposits	**207**	266
Finance costs		
– Interest expenses on the loans from a leasing company	**(1,196)**	–
– Interest expenses on bank borrowings	**(3,172)**	(3,593)
– Less: amounts capitalised on qualifying assets *(Note)*	**2,138**	1,728
	(2,230)	(1,865)
Finance costs – net	**(2,023)**	(1,599)

Note:

During the year, the Group has capitalised borrowing costs amounting to RMB2,138,000 (2015: RMB1,728,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.3% per annum (2015: 6.8% per annum).

10 Income tax expense

British Virgin Islands ("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 2016 and 2015 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 for the years ended 31 December 2016 and 2015, 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 2016 RMB'000	2015 RMB'000
Current income tax:		
PRC corporate income tax	**37,582**	32,100

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 rates applicable to profits of the group entities in the respective locations as follows:

	Year ended 31 December	
	2016	**2015**
	RMB'000	**RMB'000**
Profit before income tax	**166,358**	129,017
Tax calculated at domestic tax rates applicable to profits in the respective locations	**41,198**	31,807
Income not subject to tax	**(5,054)**	(4,897)
Expenses not deductible for tax purposes	**1,438**	5,190
	37,582	32,100

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	
	2016	**2015**
Profit attributable to equity holders of the Company (RMB$'000)	**128,776**	96,917
Weighted average number of ordinary shares in issue (thousand)	**996,266**	871,918
Basic earnings per share (RMB cents)	**12.93**	11.12

The 100 ordinary shares issued on 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 2015, 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 2016 and 2015, the Group has share options which may result in dilutive potential ordinary shares. 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 years ended 31 December 2016 and 2015 equal basic earnings per share as the exercise of outstanding share options would be anti-dilutive.

12 Dividends

	Year ended 31 December	
	2016	**2015**
	RMB'000	**RMB'000**
Final dividend paid during the year:		
2015 final dividend HK$0.03 per ordinary share (2015: nil)	**25,437**	–
Interim dividend paid during the year:		
2016 interim dividend of HK$0.016 per ordinary share (2015: nil)	**13,819**	–
Final dividend declared after the year end:		
2016 final dividend of HK$0.025 per ordinary share (2015: HK$0.03 per ordinary share)	**21,626**	25,437

On 27 March 2017, the board of directors proposed a final dividend of in respect of the year ended 31 December 2016 of HK$24,437,000, representing HK$0.025 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 2016, but will be recorded as a distribution of reserve for the year ending 31 December 2017.

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	
	2016	**2015**
	RMB'000	**RMB'000**
At 1 January	**59,874**	–
Addition	**–**	60,598
Amortisation *(Note 7)*	**(1,449)**	(724)
At 31 December	**58,425**	59,874

Amortisation of leasehold land and land use rights of RMB1,159,000 (2015: RMB579,000) have been included in 'cost of sales' and RMB290,000 (2015: RMB145,000) have been included in 'general and administrative expenses' for the year ended 31 December 2016.

As at 31 December 2016 and 2015, the Group's leasehold land and land use rights were pledged to secure bank borrowing 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 2015								
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
Year ended 31 December 2016								
Opening net book amount	**18,941**	**34,436**	**64**	**17,863**	**2,360**	**1,926**	**51,335**	**126,925**
Additions	**–**	**3,705**	**112**	**17,008**	**1,299**	**818**	**80,658**	**103,600**
Transfer	**34,079**	**8,916**	**–**	**16,827**	**–**	**500**	**(60,322)**	**–**
Disposals *(Note 26(b))*	**–**	**–**	**–**	**–**	**(87)**	**–**	**–**	**(87)**
Depreciation *(Note 7)*	**(1,807)**	**(2,436)**	**(29)**	**(4,277)**	**(419)**	**(507)**	**–**	**(9,475)**
Closing net book amount	**51,213**	**44,621**	**147**	**47,421**	**3,153**	**2,737**	**71,671**	**220,963**
At 31 December 2016								
Cost	**53,481**	**58,046**	**239**	**60,663**	**4,590**	**5,285**	**71,671**	**253,975**
Accumulated depreciation	**(2,268)**	**(13,425)**	**(92)**	**(13,242)**	**(1,437)**	**(2,548)**	**–**	**(33,012)**
Net book amount	**51,213**	**44,621**	**147**	**47,421**	**3,153**	**2,737**	**71,671**	**220,963**

Depreciation of RMB6,223,000 (2015: RMB3,740,000) have been included in 'cost of sales' and RMB3,252,000 (2015: RMB1,377,000) have been included in 'general and administrative expenses' for the year ended 31 December 2016.

As at 31 December 2016, the net book value of buildings of RMB18,605,000 (2015: RMB18,941,000) and plant and machinery, office and computer equipment and furniture and fixtures of RMB28,890,000 (2015: nil) were pledged to a bank and a leasing company for securing the Group's general banking facilities and the loans from a leasing company, respectively *(Note 25)*.

Construction in progress as at 31 December 2016 and 2015 mainly comprises the integrated development centre, plants and production lines being constructed in the PRC.

During the year ended 31 December 2016, the Group has capitalised borrowing costs amounting to RMB2,138,000 (2015: RMB1,728,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.3% per annum (2015: 6.8% per annum).

15 Subsidiaries

The following is a list of the principal subsidiaries as at 31 December 2016:

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 and trading 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 machineries and trading of food raw materials in the PRC	Registered and paid-in capital of USD31,500,000 *(Note (i))*	100%
山東天同食品有限公司 (Shandong Tiantong Food Co., Ltd.)	The PRC, limited liability company	Manufacturing and sales of processed fruits products and trading of fresh fruits in the PRC	Registered and paid-in capital of RMB45,000,000	100%

Note:

(i) On 30 March 2016, Tianyi Holding Hong Kong Ltd. further injected capital of USD14,500,000 in Linyi Tongtai Food Machine Manufacture Co., Ltd., resulting in its registered and paid in capital increased from USD17,000,000 to USD31,500,000 during the year ended 31 December 2016.

16 Inventories

	As at 31 December	
	2016	**2015**
	RMB'000	**RMB'000**
Raw materials	**5,998**	6,277
Work in progress	**10,780**	9,340
Finished goods	**48,341**	40,603
	65,119	56,220

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB428,992,000 (2015: RMB359,269,000) for the year ended 31 December 2016.

17 Financial instruments by category

	As at 31 December 2016 RMB'000	2015 RMB'000
Assets as per consolidated statement of financial position		
– Trade receivables	**82,663**	69,565
– Other receivables (excluding prepayments)	**1,584**	1,008
– Cash and cash equivalents	**224,001**	226,995
Liabilities as per consolidated statement of financial position		
– Trade payables	**14,731**	9,175
– Other payables	**7,614**	5,221
– Amount due to a related company	**5**	5
– Bank and other borrowings	**97,193**	68,000

18 Trade and other receivables

		As at 31 December 2016 RMB'000	2015 RMB'000
Trade receivables	(a)	**82,663**	69,565
Prepayments	(b)	**42,943**	45,978
Other receivables	(b)	**1,584**	1,008
		127,190	116,551
Less: non-current portion: prepayments for land use rights and property, plant and equipment		**(42,000)**	(45,515)
Current portion		**85,190**	71,036

(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 2016 RMB'000	2015 RMB'000
Less than 30 days	**55,431**	42,941
31 to 60 days	**26,499**	26,624
61 to 90 days	**733**	–
	82,663	69,565

As at 31 December 2016, trade receivables of RMB733,000 were past due but not yet impaired (2015: nil). These relate to a number of independent customers for whom there is no recent history of default and based on past experience, the overdue amounts can be recovered.

18 Trade and other receivables *(continued)*

(a) Trade receivables *(continued)*

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

	As at 31 December	
	2016	**2015**
	RMB'000	**RMB'000**
Overdue		
Less than 30 days	**733**	–

The trade receivables are denominated in the following currencies:

	As at 31 December	
	2016	**2015**
	RMB'000	**RMB'000**
RMB	**75,457**	60,779
USD	**7,206**	8,786
	82,663	69,565

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	
	2016	**2015**
	RMB'000	**RMB'000**
Cash at banks and on hand	**224,001**	127,954
Short-term bank deposits	**–**	99,041
	224,001	226,995

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

	As at 31 December	
	2016	**2015**
	RMB'000	**RMB'000**
RMB	**159,962**	64,505
HK$	**63,363**	161,436
USD	**676**	1,054
	224,001	226,995

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 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	Share capital HK$'000	Equivalent share capital RMB'000
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 and 1 January 2016	**1,000,000,000**	**310,072**	**248,057**
Buy-back of shares *(Note (d))*	**(17,000,000)**	**(13,763)**	**(11,943)**
As at 31 December 2016	**983,000,000**	**296,309**	**236,114**

Note:

(a) Capitalisation issue

Pursuant to the resolution passed by the shareholders of the Company on 16 June 2015, 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, upon its listing on the Stock Exchange, 250,000,000 ordinary shares of nil nominal value were issued at a price of HK$1.28 per share. The gross proceeds received by the Company from the global offering amounted to HK$320,000,000. Dealings in these shares on the Stock Exchange commenced on 7 July 2015.

(c) These new shares issued in the year ended 31 December 2015 rank pari passu with the existing shares in all respects.

(d) Buy-back of shares

During the year ended 31 December 2016, the Company repurchased 20,424,000 of its own ordinary shares on the Stock Exchange at a weighted average price of approximately RMB0.69 per share, for a total consideration of approximately RMB14,137,000. 17,000,000 ordinary shares were cancelled during the year and the consideration of RMB11,943,000 was deducted in share capital. The remaining 3,424,000 ordinary shares had not been cancelled as at 31 December 2016 and the consideration of RMB2,194,000 was deducted in capital reserve within shareholder's equity, which were transferred to share capital upon the subsequent cancellation of these shares in January 2017.

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 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 then 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
Balance at 1 January 2016	**84,663**	**(3,100)**	**2,500**	**823**	**156,339**	**241,225**
Profit for the year	**–**	**–**	**–**	**–**	**128,776**	**128,776**
Transfers	**–**	**–**	**20,000**	**–**	**(20,000)**	**–**
Share-based compensation expenses	**–**	**–**	**–**	**1,495**	**–**	**1,495**
Dividends paid	**(39,256)**	**–**	**–**	**–**	**–**	**(39,256)**
Buy-back of shares *(Note 20(d))*	**(2,194)**	**–**	**–**	**–**	**–**	**(2,194)**
Balance at 31 December 2016	**43,213**	**(3,100)**	**22,500**	**2,318**	**265,115**	**330,046**

(i) Capital reserve

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

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

(ii) Merger reserve

As part of the Reorganisation of the Group in preparation of its listing, 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.

21 Reserves *(continued)*

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

Statutory reserve during the years represents the statutory surplus reserve of the PRC subsidiaries amounting to RMB22,500,000 (2015: RMB2,500,000).

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.

On 21 April 2016, options of 7,700,000 shares were conditionally granted under the Share Option Scheme and the exercisable period is from 1 January 2017 to 31 December 2021.

(i) The following table discloses details of the Company's share options held by employees as at 31 December 2016:

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
21 April 2016	0.97	21 April 2016 – 31 December 2016	1 January 2017 – 31 December 2019	3,850
21 April 2016	0.97	21 April 2016 – 31 December 2017	1 January 2018 – 31 December 2020	1,925
21 April 2016	0.97	21 April 2016 – 31 December 2018	1 January 2019 – 31 December 2021	1,925
				13,700

22 Share-based payment *(continued)*

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

	2016		2015	
	Average exercise price in HK$ per share option	Number of shares (thousands)	Average exercise price in HK$ per share option	Number of shares (thousands)
At 1 January	**1.7**	**6,000**	–	–
Granted	**0.97**	**7,700**	1.7	6,000
At 31 December	**1.29**	**13,700**	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(f).

For the year ended 31 December 2016, the total expenses for share options granted to employees amount to RMB1,495,000 (2015: RMB823,000) had been recognised and included in "employee benefit expenses" in the consolidated statement of comprehensive income.

23 Trade payables

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Trade payables	**14,731**	9,175

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	
	2016 RMB'000	2015 RMB'000
Less than 30 days	**11,184**	7,987
31 to 90 days	**2,701**	861
91 to 180 days	**724**	327
181 to 365 days	**122**	–
	14,731	9,175

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

24 Accruals and other payables

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Accrued employee benefit expenses	**4,286**	9,597
Land taxes, surcharges and other taxes payables	**4,900**	722
Other payables for purchases of property, plant and equipment	**2,762**	1,302
Others	**4,852**	3,919
	16,800	15,540

24 Accruals and other payables *(continued)*

The carrying amounts of accruals and other payables are denominated in the following currencies:

	As at 31 December 2016 RMB'000	2015 RMB'000
RMB	**15,644**	14,316
HK$	**1,156**	1,224
	16,800	15,540

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

25 Bank and other borrowings

	As at 31 December 2016			As at 31 December 2015		
	Current portion RMB'000	Non-current portion RMB'000	Total RMB'000	Current portion RMB'000	Non-current portion RMB'000	Total RMB'000
Bank borrowing	**68,000**	**–**	**68,000**	68,000	–	68,000
Loans from a leasing company	**15,516**	**13,677**	**29,193**	–	–	–
	83,516	**13,677**	**97,193**	68,000	–	68,000

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

	2016			2015		
	Bank borrowing RMB'000	Loans from a leasing company RMB'000	Total RMB'000	Bank borrowing RMB'000	Loans from a leasing company RMB'000	Total RMB'000
Within 1 year	**68,000**	**15,516**	**83,516**	68,000	–	68,000
Between 1 and 2 years	**–**	**13,677**	**13,677**	–	–	–
	68,000	**29,193**	**97,193**	68,000	–	68,000

(a) The carrying amounts of bank and other borrowings approximate their fair values and are denominated in RMB. The weighted effective interest rates of bank and other borrowings were 5.3% per annum during the year (2015: 6.8% per annum).

(b) During the year, the Group entered into two sales and leaseback agreements with a leasing company for certain assets, which included plant and machinery, office and computer equipment and furniture and fixtures ("Secured Assets"), amounted to RMB40,000,000. The arrangements were for a period of 3 years. Upon maturity, the Group will be entitled to purchase the Secured Assets in minimal consideration. The Group considered that it was almost certain that it would exercise this repurchase option. As substantial risks and rewards of the Secured Assets were retained by the Group before and after these arrangements, the transactions were regarded as secured borrowings.

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	
	2016	**2015**
	RMB'000	**RMB'000**
Profit before income tax	**166,358**	129,017
Adjustments for:		
Interest income *(note 9)*	**(207)**	(266)
Interest expenses *(note 9)*	**2,230**	1,865
Loss on disposals of property, plant and equipment *(note 7)*	**10**	106
Depreciation of property, plant and equipment *(note 7)*	**9,475**	5,117
Amortisation of land and land use rights *(note 7)*	**1,449**	724
Share-based compensation expenses *(note 8)*	**1,495**	823
	180,810	137,386
Changes in working capital:		
Increase in inventories	**(8,899)**	(15,149)
Increase in trade receivables	**(13,098)**	(21,016)
Increase in prepayments and other receivables	**(1,056)**	(385)
Increase/(decrease) in trade payables	**5,556**	(3,190)
Increase in accruals and other payables	**2,720**	192
Cash generated from operations	**166,033**	97,838

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

	Year ended 31 December	
	2016	**2015**
	RMB'000	**RMB'000**
Net book amount *(Note 14)*	**87**	126
Loss on disposals of property, plant and equipment *(Note 7)*	**(10)**	(106)
Proceeds from disposals of property, plant and equipment	**77**	20

27 Contingencies

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

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 10 years. The future aggregate minimum lease payments under the operating lease agreement are as follows:

	As at 31 December	
	2016	**2015**
	RMB'000	**RMB'000**
Not later than 1 year	**288**	352
Later than 1 year and no later than 5 years	**–**	288
	288	640

(ii) Capital commitments

Capital expenditure contracted for but not yet incurred and provided for as of 31 December 2016 amounted to RMB18,372,000 (2015: RMB15,985,000).

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 Wealthy Active Limited, a company incorporated in the British Virgin Islands with limited liability. The ultimate controlling shareholder of Wealthy Active Limited 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 2016 and 2015:

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
Tiantong Fruit Co., Ltd.	Investment holding in Cayman Islands	Under common control by the ultimate controlling shareholder

29 Related party balances and transactions *(continued)*

(b) Transactions with a related party

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

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Operating lease payments in respect of properties and land of a related company	**–**	608

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

(c) Balance with a related party

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

	As at 31 December 2016 RMB'000	2015 RMB'000
Amount due to a related company – Tiantong Fruit Co., Ltd.	**5**	5

As at 31 December 2016 and 2015, amount due to a related company is unsecured, interest-free and repayable on demand. The carrying amount of amount due to a related company approximates its fair value and is denominated in RMB.

(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 2016 RMB'000	2015 RMB'000
Basic salaries, allowances and benefits in kind	**1,895**	1,364
Social security costs	**50**	72
Defined contribution – MPF	**31**	21
Share-based compensation expenses	**253**	140
	2,229	1,597

30 Statement of financial position and reserve movement of the Company

Statement of financial position of the Company

		As at 31 December	
		2016	2015
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**–**	–
Amount due from a subsidiary		**251,829**	238,184
		251,829	238,184
Current assets			
Cash and cash equivalents		**43,485**	104,651
		43,485	104,651
Total assets		**295,314**	342,835
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**236,114**	248,057
Reserves	*Note (a)*	**58,040**	94,711
Total equity		**294,154**	342,768
LIABILITIES			
Current liabilities			
Accruals and other payables		**1,155**	62
Amount due to a related company		**5**	5
Total current liabilities		**1,160**	67
Total equity and liabilities		**295,314**	342,835

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2017 and was signed on its behalf.

Mr. Yang Ziyuan	**Mr. Sun Xingyu**
Director	*Director*

30 Statement of financial position and reserve movement of the Company *(continued)*

(a) Reserve movement of the Company

	Capital reserve RMB'000	Share option reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000
At 1 January 2015	59,507	–	(21)	59,486
Profit for the year	–	–	9,246	9,246
Waiver of amount due to the then 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
At 1 January 2016	**84,663**	**823**	**9,225**	**94,711**
Profit for the year	**–**	**–**	**3,284**	**3,284**
Buy-back of shares	**(2,194)**	**–**	**–**	**(2,194)**
Dividends relating to 2015 paid	**(25,437)**	**–**	**–**	**(25,437)**
Dividends relating to 2016 paid	**(13,819)**	**–**	**–**	**(13,819)**
Employees share option scheme: – share-based compensation expenses	**–**	**1,495**	**–**	**1,495**
At 31 December 2016	**43,213**	**2,318**	**12,509**	**58,040**

31 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

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

For the year ended 31 December 2016:

	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	123	69	11	-	-	26	-	-	229
Mr. Sun Xingyu	123	57	10	-	-	22	-	-	212
Non-executive directors									
Ms. Chu Yinghong *(Note i)*	123	-	-	-	-	-	-	-	123
Mr. Wong Yim Pan *(Note ii)*	123	-	-	-	-	-	-	-	123
Independent and non-executive directors									
Mr. Liang Zhongkang	123	-	-	-	-	-	-	-	123
Mr. Tsang Yuen Wai	123	-	-	-	-	-	-	-	123
Ms. Hui Yung Yung *(Note iii)*	123	-	-	-	-	-	-	-	123

31 Benefits and interests of directors *(continued)*

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

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

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	56	–	–	–	–	–	–	–	56
Mr. Tsang Yuen Wai	56	–	–	–	–	–	–	–	56
Ms. Hui Yung Yung *(Note iii)*	56	–	–	–	–	–	–	–	56

Note:

(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 2016 and 2015 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.

31 Benefits and interests of directors *(continued)*

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2015: nil).

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2015: nil).

(d) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company (2015: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2015: nil).

(f) 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 a 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 then immediate holding company transferred cash of approximately RMB31,156,000 to the Group. The amount due by the Group had been waived by the then immediate holding company subsequently and such amount was recorded as capital reserve.

Five-Year Financial Summary

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

RESULTS

	Year ended 31 December				
	2016	**2015**	**2014**	**2013**	**2012**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Revenue	**653,474**	553,618	447,678	370,493	300,340
Profit before tax	**166,358**	129,017	113,517	90,006	73,647
Income tax expense	**(37,582)**	(32,100)	(24,206)	(19,106)	(15,662)
Profit for the year	**128,776**	96,917	89,311	70,900	57,985

ASSETS AND LIABILITIES

	As at 31 December				
	2016	**2015**	**2014**	**2013**	**2012**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Assets					
Non-current assets	**321,388**	232,314	72,514	39,485	41,902
Current assets	**374,310**	354,251	122,301	84,701	102,338
Total assets	**695,698**	586,565	194,815	124,186	144,240
Equity and liabilities					
Total equity	**566,160**	489,282	118,330	39,512	58,612
Non-current liabilities	**13,677**	–	–	–	–
Current liabilities	**115,861**	97,283	76,485	84,674	85,628
Total liabilities	**129,538**	97,283	76,485	84,674	85,628
Total equity and liabilities	**695,698**	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.

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

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PO Box 3140, Road Town
Tortola
British Virgin Islands
VG1110

Corporate Information

Principal Place of Business in Hong Kong

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Beautiful Group Tower
74-77 Connaught Road Central
Central
Hong Kong

Branch Share Registrar and Transfer Office in Hong Kong

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

Compliance Adviser

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

Legal Adviser as to Hong Kong Law

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

Legal Adviser as to PRC Law

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

Principal Bankers

Bank of China (Hong Kong) Limited
1 Garden Road
Central, Hong Kong

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

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

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

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

Auditor

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Company's Website

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Enquiries

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Stock Code

6836