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

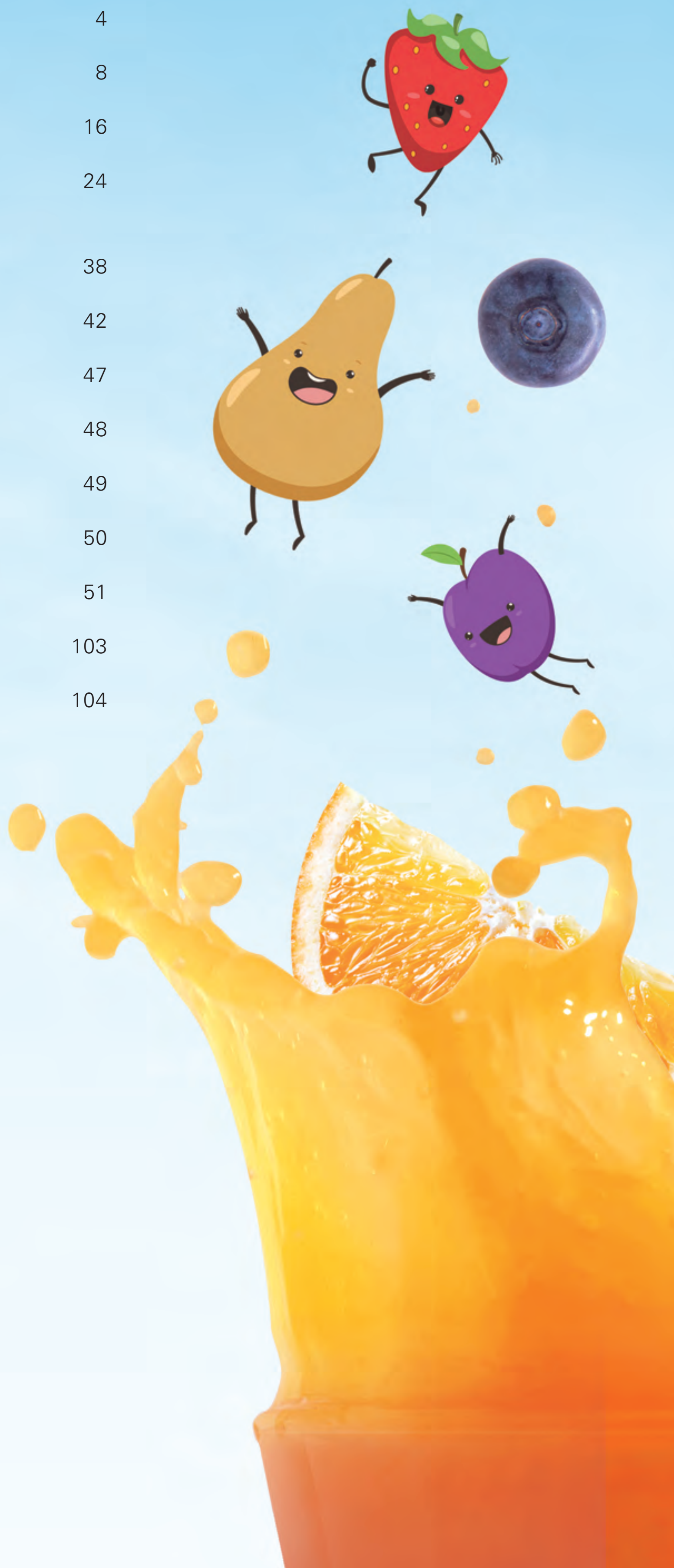
(Incorporated in the British Virgin Islands with limited liability)

Stock Code: **6836.HK**

More Fresh & Healthy Choices

ANNUAL REPORT **2020**

Contents



Vitamin
of
Passion & Energy

天同时代
素颜主义鲜果小罐头
素颜鲜果
真实如我
山东天同食品有限公司
享
SHIOK
净含量:250ml
享派 维生素运动饮料
草莓

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Tianyun International Holdings Limited (the "Company" or "Tianyun International") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present our annual report for the year ended 31 December 2020 (the "Year Under Review").

The novel coronavirus (COVID-19) outbreak in early 2020 has captured widespread attention, ravaging the globe and wrecking the world economy. China, by implementing strong measures to control the outbreak, led the way for the resumption of work and production. According to data from the National Bureau of Statistics of China, despite a year-on-year decline of 6.8% in gross domestic product (GDP) in the first quarter of 2020, China's economic growth has completed a turnaround in the second quarter and became the only major economy in the world to achieve positive growth. Meanwhile, China promoted "internal circulation" during the year as an economic development model to stimulate effective development of substantial consumer market with 1.4 billion population. As pandemic control measures form a new normal, consumption potential is unleashed and will be the main drivers behind the next stage of economic recovery. Further, with COVID-19 vaccines becoming available across the world, there is hope for a gradual recovery of the global economy in 2021, and it is expected that China's economic development will transform from high-speed growth into a more sustainable growth model.

In response to the pandemic outbreak in early 2020, the Group rapidly implemented various stringent prevention measures to ensure uninterrupted production and the safety of all workers. With gradual improvements in the pandemic situation in China, the Group's production and business operations slowly returned to normal in the second quarter of 2020. Despite the uncertainties in the operating environment arising from the pandemic, the Group as a consumer goods enterprise continued to generate considerable income and profit, maintaining a sound financial position.

As one of the food enterprises with the most complete set of quality certifications, the Group has always been recognised for its brand, image and product quality. The Group made the Most Valuable Chinese Brands for a fourth consecutive year and surpassed the RMB1.5 billion mark in brand value for the first time in 2020. The Group's subsidiary,山東天同食品有限公司 (Shandong Tiantong Food Co., Ltd.), was also awarded the "2020 Most Popular Canned Product" in a national fair and exhibition in November 2020. Meanwhile, according to a recent analysis report on China's processed fruits and vegetables market industry published by Euromonitor International, a global institution in the field of market data and research, Tianyun International is a leading enterprise in the industry. The various accreditations and accolades earned by the Group demonstrate the high level of market recognition for our outstanding brand value and influential power, and reflect the steady growth of market share and consumer recognition for the Group's own brand products.

During the Year Under Review, the Group was awarded the Hi-tech Enterprise Certificate jointly issued by the Department of Science and Technology of Shandong Province, the Shandong Provincial Department of Finance, and the Shandong Provincial Tax Service of State Taxation Administration, showing a high level of recognition for the Group's research and innovation capability. The Group continued to improve its industrial technology during the year and used new packaging styles preferred by younger age groups, in order to satisfy the new desire and demand for diverse fruit products and beverages from consumers. The Group continued to launch new products under our own brands "繽果時代 (Bingo Time)", "天同時代 (Tiantong Times)" and "果小懶 (fruit zz)", with cherry tomatoes, grapes and mangoes in the fruit series of products proving to be well received in particular. The Group also responded to demands from our customers for large-sized packaging, such as the 5-litre foil bag and a 9-litre square tub packaging, with our technology and quality receiving acclaim from our customers. In addition, the "Tiantong Times" series also ventured into new canned product category such as canned fish, bringing a fresh experience and impression to consumers.

Chairman's Statement

During the Year Under Review, the Group unveiled a series of sports beverages with fruit juice and vitamins under our new own brand "享派 Shiok Party", centred around the concept of sport fitness. The first batch of products in the original flavour was launched in November 2020 through both online and offline channels in China and received a good response from the market. The "享派 Shiok Party" vitamin sports beverage series is scientifically formulated based on modern nutrition and sports medicine theory, made from natural and healthy ingredients consisting mainly of taurine, guarana extract, fruit juice and B-complex vitamins, and contain no added synthetic caffeine or preservatives. The nutrient content accommodates the physiological attributes of people who engage in exercise or strenuous activity, as well as boost hydration and act as an electrolyte and energy supplement. It is designed as a functional beverage with fast absorption, formulated to address the needs of city dwellers for healthy foods, and is suitable for consumers across all age groups. According to authoritative data collected by an international research institute, the size of China's functional beverage industry is soaring towards a level of RMB100 billion. In particular, the energy beverage segment had a five-year compound annual growth rate of 15% in the last five years, and as consumption occasions and consumer groups continue to increase, there is ample room for future development.

In terms of production capacity expansion, construction has fully commenced for the Group's No. 5 and No.6 production workshops in Shandong during the Year Under Review. It is expected that they will commence operation by the end of 2021 with production capacity gradually unleashed in 2022, further raising our overall production capacity. In addition, remodeling of facilities and enhancement of production capacity continued at the Group's production base in Hubei during the Year Under Review, effectively increasing the Group's production capacity for beverage products and existing processed fruit products, while also facilitating the Group's arrangements with warehouse and transportation of our own brand products in the central part of China as well as developing new types of subtropical fruit products. The launch of our new beverage products is consistent with the Group's strategy to further diversify our product and brand portfolio and to mitigate limitations arising from seasonality in the supply of certain specific types of fruits. It is expected that the annual designed production capacity of the Group's new beverage products will be no less than 50,000 tonnes in the first year.

Looking ahead, the year of 2021 is the opening year of China's 14th Five-Year Plan. The Group will continue to actively optimise diverse development strategies, expand our distributor network, and enhance research and development of our own products and production technology, in order to provide our customers with quality and diversified food and beverages. We will also continue to integrate inherent growth and merger and acquisition strategies, vigorously embrace change and opportunities, boost the Group's revenue and profitability, consolidate our position as market leader and enhance the Group's competitiveness, in order to achieve long-term sustainable growth targets and bring maximum returns to our shareholders.

The year of 2020 marks the fifth anniversary of the Group's listing on the Hong Kong Stock Exchange. Our excellent performance is clearly reflected by the steady and uninterrupted business growth that the Group has enjoyed over the past years, along with progress in various key indicators such as brand value and business scale. On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, business partners, customers and consumers for their trust.

Sincerely,

Yang Ziyuan

Chairman and Chief Executive Officer

30 March 2021


享激情·派能量
SHIOK
PARTY
享派
维生素运动饮料
防腐剂0添加
低糖=更健康
享派 SHIOK PARTY
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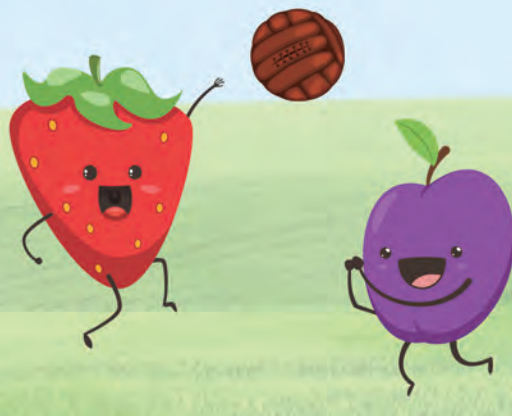
SHIOK PARTY
净含量:250ml
享派 维生素运动饮料
不负最好的青春，去放肆拼搏。
也要健康的体魄，去开启未来。
这就是我们，对于年轻的答案。
享派·拼出健康态
Tiantong
TIANTONG FOODS
天韵国际控股有限公司
Tianyun International Holdings Limited
股票代码
（06836.HK）
山东天同食品有限公司
Shandong Tiantong Food Co. Ltd


享派 SHIOK PARTY
净含量:250ml
享派 维生素运动饮料


素运动饮料
净含量:250ml×24
享派 SHIOK PARTY
享激情
派能量




享激情
派能量
享派维生


SHIOK
PARTY 享派
维生素运动饮料
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享派 维生素运动饮料


享
维生素运动饮料
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维生素运动饮料
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享激情·派能量
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PARTY

Management Discussion and Analysis

Business Review

Under the impact of the outbreak of COVID-19, global economic activity slumped significantly in 2020. Across the world, pandemic control measures such as lockdowns and social distancing were implemented, halting physical economic activity and causing economic recession, as well as speeding up geopolitical change, including global supply chain restructuring. However, with China bringing the outbreak under control by the second quarter of 2020, production gradually resumed as China's economic activity entered the post-pandemic development phase. China's annual gross domestic product for 2020 surpassed the RMB100 trillion threshold, becoming the only major economy in the world that achieves positive growth. Facing substantial changes in the external environment, the Group responded positively and our business remained essentially robust as a whole. Production and sales also gradually resumed in the second quarter of 2020, and our business operations advanced steadily with good progress made.

For the year ended 31 December 2020 (the "Year Under Review"), the Group's business continued to flourish and we maintained a solid financial position. We kept our focus on innovative research and development, enhanced product quality and production efficiency, optimised structure of product-mix, strengthened enterprise core competitiveness, and recorded satisfactory results for the year. Basic earnings per share (expressed in HK$ using the respective year end RMB versus HKD exchange rates) only decreased by 6.8% from HK$0.192 (equivalent to RMB0.172) in 2019 to HK$0.179 (equivalent to RMB0.151) in 2020.

During the Year Under Review, the Group continued to receive multiple accolades. The Group's wholly-owned subsidiary, 山東天同食品有限公司 (Shandong Tiantong Food Co., Ltd.) ("Shandong Tiantong"), was recognised as one of the Most Valuable Chinese Brands for the fourth consecutive year and surpassed the RMB1.5 billion threshold in brand value for the first time in 2020. In addition, the Group was awarded the Hi-tech Enterprise Certificate jointly issued by the Department of Science and Technology of Shandong Province, the Shandong Provincial Department of Finance, and the Shandong Provincial Tax Service of State Taxation Administration, demonstrating a high level of recognition for the Group's research and innovation capability. During the Year Under Review, the engineering and research centre of Shandong Tiantong was recognised by Linyi Municipal Development and Reform Commission as a "Canned Fruits Processing and Smart Production Engineering and Research Centre", which is a clear recognition of the Group as a leader in fruit processing and smart production among industry peers and a solid recognition of our production technology as well as research and development capability.

Own Brand and OEM Business

During the Year Under Review, in view of the new consumption trends, the Group carried out marketing activities through various channels to enhance brand recognition and awareness. We developed sales networks that exhibited potential and actively collaborated with popular online streaming brands and online sales platforms, expanding our product sales channels to respond to the ever-changing market demands. During the year, the Group organised promotional activities in conjunction with different themes and festivals and participated in major industrial product exhibitions and fairs. Product sales were also driven by the positive market response towards our natural and quality food and beverages as well as diversified packaging.

As of 31 December 2020, products under the Group's own brands were sold in 27 provinces, direct municipalities and autonomous regions across the PRC, including renowned chain supermarkets such as RT MART, AEON and Jingkelong supermarket chains.

Management Discussion and Analysis

The Group continued to improve its technology during the year and used new packaging methods preferred by younger age groups, in order to satisfy the desire for new tastes and demand for diverse fruit products and beverages from consumers. The Group continued to launch new products under our own brands "繽果時代 (Bingo Time)", "天同時代 (Tiantong Times)" and "果小懶 (fruit zz)". At the same time, in view of the massive development potential in the functional beverage market, the Group has unveiled a fruit juice vitamins sports beverage series under our new own brand "享派 Shiok Party" centred around sports and healthiness, after two years of research and development. The "享派 Shiok Party" series beverages is made from natural and healthy ingredients and contain no added synthetic caffeine or preservatives. It is formulated to address the needs of city dwellers for healthy food and is suitable for all age groups, and its functionality, flavours, and brand new product and brand image are designed to meet consumer demands. It also helps the Group speed up the establishment of our market position in China's functional beverage market and further enhancing the Group's competitiveness and revenue. The new beverage products are consistent with the Group's strategy to further diversify our product and brand portfolio, mitigating limitations arising from seasonality in the supply of certain specific fruits.

The Group's OEM business continued to be a stable source of revenue for the Group, with business coverage over renowned international brands across the five continents. The Group's products are eventually exported to a relatively diversified range of regions, allowing us to effectively diversify risks associated with an overly concentrated market. As the pandemic continues to ravage the globe, it is expected that there is still strong appetite in overseas markets for importing various processed fruit products made in China, and the Group will continue to grasp opportunities, expanding our OEM business coverage by exploring more business opportunities in overseas markets such as Japan, United Kingdom, Europe, Canada, United States, Australia, New Zealand and Southeast Asia.

Trading of Fresh Fruits

For years, the Group has selected and resold a small portion of fresh fruits to domestic fresh fruit wholesalers. According to an analysis conducted by iiMedia Research, a world renowned research organisation, the size of China's fresh food e-commerce market remains worthy of attention even under the macro environment of economic downturn. The Group will continue to actively seek business partners that have both domestic and international fresh fruit sales channels and reputable Chinese brands associated with fresh fruits, in order to promote more sales, exchange and processing of fresh fruits from different origins of both domestic and overseas markets, and bring a richer and more diversified variety of quality fruits to consumers at large.

Production Capacity, Research and Development

During the Year Under Review, the Group continued to improve production facilities in order to raise our level of automation and production efficiency. Currently, construction has fully commenced for the Group's new No. 5 and No. 6 production workshops in Shandong, and it is expected that they will commence operation by the end of 2021 with gradual growth in production capacity, further raising our overall production capacity. In addition, remodeling of facilities and enhancement of production capacity continued at the Group's production base in Hubei during the Year Under Review, effectively increasing the Group's production capacity for beverage products and existing processed fruit products, while also facilitating the Group's arrangements with warehousing and transportation of our own brand products in Central China as well as developing new types of subtropical fruit products. At the same time, the launch of our new beverage products is consistent with the Group's strategy to further diversify our product and brand portfolio and to mitigate limitations arising from seasonality in the supply of certain specific types of fruits. It is expected that the annual designed production capacity of the Group's new beverage products will be no less than 50,000 tonnes in 2021.

Management Discussion and Analysis

Merger and Acquisition and Strategic Partnership

The Group is always actively seeking opportunities for mergers and acquisitions and strategic partnerships in the hopes of enhancing our existing business, expanding our business network, exploring new markets, new technology and new invention opportunities, and strengthening the Group's overall competitiveness. During the Year Under Review, the Group has successfully expanded from its current focus on a variety of processed fruit products to the field of beverages. In particular, the first product in the vitamins sports functional beverage series under our own brand "享派 Shiok Party" was launched with great success during the Year Under Review, and it is expected that other fruit juice vitamins sports beverage products with different features and flavours will soon follow. The Group will continue to monitor other domestic and international merger and acquisition and strategic partnership opportunities in order to complement the Group's inherent growth strategy and achieve better long-term development.

Outlook

The global COVID-19 outbreak is speeding up major transformations in the way economies and societies operate. Looking ahead, with the availability of vaccines and commencement of economic recovery, it is expected that the world economy could recover gradually. 2021 marks the start of China's 14th Five-Year Plan for its economy. With its resilient economy and active development, it is expected that China's economy will continue to recover and stimulate consumer confidence. Retail consumption and recovery of the service sector are believed to be the main drivers behind the next stage of economic recovery.

The Group will maximise its capture on the massive opportunities within the new normal in the post-pandemic era, developing and providing more varieties of healthy quality food and beverages to satisfy the demands of our customers, continue to optimise our sales network positioning, expand regional coverage of our own brand products, further strengthen cooperation with distribution partners and customers, and enhance the image of our own brands through various offline and online marketing models. The Group's fruit juice vitamins sports beverage product series will be available in more flavours in the future, and our Shandong and Hubei production bases will be boosted by new production capacity, forming a future growth momentum of the Group. Through enhancing the Group's competitiveness and achieving continuous, steady and sustainable growth, we will constantly develop and strengthen ourselves within the ever changing landscape.

Financial Review

Revenue

During the Year Under Review, our revenue decreased to approximately RMB850.3 million from approximately RMB1,062.8 million for the year ended 31 December 2019, representing a decrease of approximately RMB212.5 million or 20.0%. The Group continued to sell its processed fruit products and beverage products under its own brand and on an OEM basis, and engaged in trading of fresh fruits. The decrease in revenue during the Year Under Review was mainly attributable to the reduction in the sales of our own brand products, OEM products, and fresh fruits sales and others of approximately RMB162.4 million, RMB37.5 million, and RMB12.6 million respectively.

Management Discussion and Analysis

Breakdown of the revenue by business segments for the year ended 31 December 2020 and the comparative audited figures in 2019 is set out as follows:

	For the year ended 31 December			
	2020	**2019**	**Changes**	
	RMB million	**RMB million**	**RMB million**	**%**
Revenue				
Own Brand Sales	**469.4**	631.8	(162.4)	(25.7)
OEM Sales	**301.0**	338.5	(37.5)	(11.1)
Fresh Fruits Sales and others	**79.9**	92.5	(12.6)	(13.6)
Total	**850.3**	1,062.8	(212.5)	(20.0)

During the Year Under Review, revenue from our sales of processed fruits and beverage products under our own brand accounted for 55.2% (2019: 59.4%) of the total revenue and represented the largest business segment of the Group. Own brand sales decreased from approximately RMB631.8 million for the year ended 31 December 2019 to approximately RMB469.4 million for the year ended 31 December 2020, representing a decrease of approximately RMB162.4 million or 25.7%.

Revenue from sales of processed fruit products on an OEM basis continued to contribute a significant portion of the total revenue of the Group and represented 35.4% (2019: 31.8%) of the total revenue during the Year Under Review. Our processed fruit products are mainly sold to international and well-known brand owners either by our Group directly to overseas brand owners or trading entities, or through local import and export entities based in the PRC. During the Year Under Review, revenue from OEM sales moderately decreased by RMB37.5 million or 11.1% from approximately RMB338.5 million for the year ended 31 December 2019 to approximately RMB301.0 million for the year ended 31 December 2020.

During the Year Under Review, the Group's sales under both own brand and OEM business was affected by, inter alia, the outbreak of COVID-19, and the subsequent prevention measures and restrictions on travel or consumption activities imposed by various regions in China and countries around the world. The raw materials supplies and logistics were also affected. Most of the trade fairs and food exhibitions in China and other countries were cancelled or postponed.

We continued to trade a small portion of our fresh fruits to fresh fruits wholesalers during the Year Under Review. Revenue contributed by fresh fruit sales and others represented 9.4% of the total revenue for the year ended 31 December 2020 (2019: 8.7%). Revenue from fresh fruit sales and others during the Year Under Review decreased by RMB12.6 million or 13.6% to approximately RMB79.9 million. The decrease in the scale and revenue of fresh fruits followed the decrease in revenue from the sales of processed fruit products.

Management Discussion and Analysis

Gross profit and gross profit margin

	For the year ended 31 December 2020 RMB million	2019 RMB million	Changes RMB million	%
Gross profit				
Own Brand Sales	**127.4**	171.4	(44.0)	(25.7)
OEM Sales	**88.9**	109.0	(20.1)	(18.4)
Fresh Fruits Sales and others	**18.3**	15.6	2.7	17.3
Total gross profit	**234.6**	296.0	(61.4)	(20.7)

Gross profit for the year ended 31 December 2020 decreased to approximately RMB234.6 million from approximately RMB296.0 million for the year ended 31 December 2019, representing a year-on-year decrease of RMB61.4 million, or 20.7%. The decrease was mainly driven by decrease in revenue from own brand sales, OEM sales and fresh fruits sales.

	For the year ended 31 December 2020	2019
Gross profit margin		
Own Brand Sales	**27.1%**	27.1%
OEM Sales	**29.5%**	32.2%
Fresh Fruits Sales and others	**23.0%**	16.9%
Overall gross profit margin	**27.6%**	27.9%

During the Year Under Review, the gross profit margin decreased slightly to 27.6%. The gross profit margin from the own brand sales was in general the same as that in 2019. The drop in gross profit margin from the OEM sales was mainly due to the change in the sales of the processed fruit product mix and overall decrease in the average selling price to direct overseas customers. With regard to gross profit margin of fresh fruits sales and others, if certain other and miscellaneous adjustments are excluded, the gross profit margin decreased slightly to 24.6% for the year ended 31 December 2020 (2019: 24.8%)

Other income, and other losses, net

During the Year Under Review, other income mainly represented government subsidies and rental income from investment properties. Other losses, net mainly represented the fair value change in contingent consideration payable with regard to the acquisition of Yichang Tiantong.

Selling and distribution expenses

Selling and distribution expenses mainly include the transportation and delivery costs, promotion and advertising expenses, and salary and related staff costs from sales and marketing department. For the year ended 31 December 2020, the selling and distribution expenses decreased from approximately RMB18.3 million for the year ended 31 December 2019 to approximately RMB15.3 million, representing a year-on-year decrease of approximately RMB3.0 million, or 16.4%. The decrease was mainly attributable to the drop in direct selling expenses, and travelling and entertainment expenses in relation to exhibition and marketing events during the Year Under Review.

Management Discussion and Analysis

General and administrative expenses

General and administrative expenses mainly include salary expenses and related staff costs for management and administrative departments, research and development costs, professional fees, depreciation and amortisation, foreign exchange differences, and various taxes with regard to the use of land and buildings. The amount decreased from RMB46.0 million for the year ended 31 December 2019 to RMB39.2 million for the year ended 31 December 2020, representing a year-on-year decrease of approximately RMB6.8 million, or 14.8%.

Without taking into account the effect of exchange difference during the Year Under Review, general and administrative expenses increased by approximately 3.1% or RMB1.3 million for the year ended 31 December 2020, which is mainly driven by the increase in research and development costs, and depreciation and amortisation expenses.

Income tax expenses

Income tax expenses represent mainly the PRC enterprise income tax payable by our PRC subsidiaries. For the year ended 31 December 2020, our income tax expenses decreased by RMB22.0 million, or approximately 39.3%, to RMB34.0 million from RMB56.0 million for the year ended 31 December 2019. The decrease in the income tax expenses was primarily due to decrease in our assessable income in the PRC and reduction of effective tax rate due to the award of Hi-tech Enterprise Certificate in the PRC during the Year Under Review.

Net profit and net profit margin

For the year ended 31 December 2020, net profit decreased by approximately RMB20.0 million or 11.8% to approximately RMB149.1 million as compared to approximately RMB169.1 million for the year ended 31 December 2019. The overall decrease in net profit during the Year Under Review was mainly due to the drop in revenue, which was partially offset by reduction in effective income tax rate and increase in interest income derived from bank deposits. The net profit margin for the Year Under Review was 17.5% (2019: 15.9%).

Liquidity, financial resources and capital resources

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

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

	As at 31 December 2020	As at 31 December 2019
Gearing ratio (%)	**17.7%**	22.8%
Current ratio	**2.44**	2.65
Cash and cash equivalent (RMB million)	**528.3**	472.0
Net current assets (RMB million)	**495.2**	475.6
Quick ratio	**2.19**	2.30

The gearing ratio of the Group as at 31 December 2020 was 17.7% (31 December 2019: 22.8%). Gearing ratio was calculated based on total debts divided by total equity. The amount of total debts was calculated by aggregating the bank and other borrowings (excluding the amount due to a substantial shareholder).

The current ratio (calculated based on total current assets divided by total current liabilities) of the Group as at 31 December 2020 was 2.44 (31 December 2019: 2.65).

Management Discussion and Analysis

As at 31 December 2020, our cash and cash equivalents amounted to approximately RMB528.3 million (31 December 2019: RMB472.0 million). Our net current assets was approximately RMB495.2 million as at 31 December 2020, as compared to approximately RMB475.6 million as at 31 December 2019.

The quick ratio (calculated based on total currents assets (excluding inventory) divided by total current liabilities) of the Group as at 31 December 2020 was 2.19 (31 December 2019: 2.30). With stable cash inflows generated in the daily business operation, the Group has sufficient financial resources for potential future expansion.

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

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

Capital structure

The Group's total equity and liabilities amounted to approximately RMB1,016.5 million and RMB347.7 million, respectively as at 31 December 2020 (31 December 2019: RMB894.1 million and RMB297.7 million).

Bank and other borrowings, and net finance costs

As at 31 December 2020, the total amount of interest-bearing bank and other borrowings was approximately RMB180.4 million (31 December 2019: RMB203.4 million). During the Year Under Review, the Group reduced its net bank and other borrowings by approximately RMB23.0 million.

Net finance income or costs of the Group represents finance income less finance costs. The balance changed from a net finance costs of approximately RMB9.0 million for the year ended 31 December 2019 to a net finance income of approximately RMB7.0 million for the year ended 31 December 2020, representing a change of approximately RMB16.0 million. During the Year Under Review, the finance income increased by approximately RMB11.4 million or 271.4% and finance costs decreased by approximately RMB4.5 million or 34.4%. The substantial change from net finance costs to net finance income was mainly attributable to the increase in interest income from banks, and the decrease in interest expenses paid to financial institutions and a substantial shareholder of the Company during the Year Under Review.

Pledged assets

The Group has pledged its right-of-use assets and buildings as collaterals for the bank borrowings. As at 31 December 2020, the net book value of pledged right-of-use assets and buildings amounted to approximately RMB147.5 million (2019: RMB138.0 million).

Capital expenditure

During the Year Under Review, we made certain improvement works and built new facilities for the sustainable development of our business. Our total capital expenditure amounted to RMB121.5 million (2019: RMB45.4 million). Regarding our production base in the Shandong province, approximately RMB42.0 million were incurred to improve our existing production workshops, freezers, environmental protection facilities and integrated development centre. The construction of the new No. 5 and No. 6 workshops has been under progress and capital expenditure of approximately RMB43.1 million had been expended as of 31 December 2020. With regard to our production base in the Hubei province, construction works in relation to addition, renovation and upgrading works on its production workshops and facilities were performed during the Year Under Review, and capital expenditure of approximately RMB16.4 million was expended as of 31 December 2020. The construction of new production facilities for our beverage products has been under progress and capital expenditure of approximately RMB20.0 million were expended.

Management Discussion and Analysis

Interest rate risk

The Group has not used any derivatives to hedge against interest rate risk. The interest rate risk of the Group arises from the bank balances at floating interest rates, and the bank and other borrowings. The bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by the bank balances held at variable rates. The borrowings of the Group at fixed interest 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 or HKD. The cash deposits placed with banks generate interest at the prevailing market interest rate.

Foreign currency exposure

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

Human resources

As at 31 December 2020, the number of employees of the Group was 645 (31 December 2019: 722). The total staff costs, including Directors' emoluments, amounted to approximately RMB52.3 million for the Year Under Review (31 December 2019: approximately RMB61.8 million). The emoluments payable to the Directors are subject to their respective terms of engagement approved by the Remuneration Committee of the Company having regard to the operating results of the Group, the performance of individual Directors and comparable market statistics. The Group implements a remuneration policy which offers or has in place bonus, a share option scheme and a share award scheme with reference to the performance of the Group and individual employees. The Group also provides insurances, medical benefits and contribute to retirement funds for employees so as to sustain the competitiveness of the Group.

Commitments and contingent liabilities

As at 31 December 2020, the capital commitments contracted for but not yet incurred and provided for amounted to approximately RMB56.9 million (31 December 2019: RMB49.3 million). In addition, the Group did not have any material outstanding contingent liabilities.

Material acquisitions and disposals

During the year ended 31 December 2020 and up to the date of this annual report, the Group did not have any other material acquisitions or disposals of subsidiaries or associated companies.

Corporate Governance Report

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

Corporate Governance Practice

The Company has adopted the code provisions set out in the CG Code as set out in Appendix 14 to the Listing Rules. 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 under Appendix 10 to 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/her collective and individual responsibilities to all shareholders and that he/she should give sufficient time and attention to the affairs of the Company. The management was delegated with 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 16 June 2018 to 15 June 2021
Mr. Sun Xingyu	Executive Director	From 16 June 2018 to 15 June 2021
Mr. Wang Hu	Executive Director	From 22 October 2018 to 4 March 2021 *(Note)*
Ms. Chu Yinghong	Non-executive Director	From 16 June 2018 to 15 June 2021
Mr. Wong Yim Pan	Non-executive Director	From 16 June 2018 to 15 June 2021
Mr. Liu Zhumeng	Non-executive Director	From 22 October 2018 to 4 March 2021 *(Note)*
Mr. Liang Zhongkang	Independent Non-executive Director	From 16 June 2018 to 15 June 2021
Prof. Lu Yuanping	Independent Non-executive Director	From 27 June 2019 to 26 June 2022
Mr. O'Yang Wiley	Independent Non-executive Director	From 11 November 2019 to 10 November 2022

Note: Mr. Wang Hu and Mr. Liu Zhumeng resigned as Directors with effect from 4 March 2021.

Except that 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 ensures that strong independence exists across the Board and satisfies the requirement in the Listing Rules that at least one-third of board members should be independent non-executive directors. The biographical information of the Directors are set out on pages 38 to 41 under the section headed "Biographical Details of Directors and Senior Management".

Corporate Governance Report

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, inter alia, 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 is also the chairman of the Board as he has considerable expertise, experience and network in the fruit processing industry. The Board believes that vesting the roles of both the chairman of the Board and the chief executive officer of the Group in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group.

Besides, all major decisions of the Group have been made in consultation with members of the Board and relevant 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 Group's current structure and to make necessary changes at an appropriate time.

Independent Non-executive Directors

All the three independent non-executive Directors, representing not less than one-third of the Board, are persons of high caliber, with academic and professional qualifications in the fields of accounting, legal, fruit processing, and food and beverage industries. 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 specific term of three years and are subject to retirement by rotation in accordance with the Articles of Association of the Company.

Board Meeting

During the Year Under Review, the Board held five 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	5/5
Mr. Sun Xingyu	5/5
Mr. Wang Hu	5/5
Ms. Chu Yinghong	5/5
Mr. Wong Yim Pan	5/5
Mr. Liu Zhumeng	5/5
Mr. Liang Zhongkang	5/5
Prof. Lu Yuanping	5/5
Mr. O'Yang Wiley	5/5

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 required.

Corporate Governance Report

Directors' Continuous Training and Professional Development

All Directors are aware of their responsibilities to the Company and 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 training 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 during the Year Under Review.

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 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Liang Zhongkang, Mr. O'Yang Wiley and Prof. Lu Yuanping. The Audit Committee is chaired by Mr. O'Yang Wiley.

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 for approval. 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 and regulatory requirements in the review of the Company's interim and annual reports.

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

During the Year Under Review, the Audit Committee held two meetings to review the annual results for the year ended 31 December 2019 and the interim results for the six months ended 30 June 2020 of the Company. Subsequent to 31 December 2020, the Audit Committee held a meeting on 30 March 2021, and reviewed the annual results for the Year under Review. The individual attendance of each relevant Director at those meetings held during the Year Under Review are as follows:

Name of Director	Number of meetings attended
Mr. O'Yang Wiley	2/2
Mr. Liang Zhongkang	2/2
Prof. Lu Yuanping	2/2

Corporate Governance Report

Nomination Committee

The Company established the Nomination Committee on 16 June 2015 with written terms of reference. The Nomination Committee consists of four members, namely, Mr. Yang Ziyuan, Mr. Liang Zhongkang, Prof. Lu Yuanping and Mr. O'Yang Wiley. Three of the members of the Nomination Committee are our independent non-executive Directors. The Nomination Committee is chaired by Mr. Yang Ziyuan.

The Nomination Committee may invite nomination of candidates from Board members for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members. 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 areas.

The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board. It will also perform ongoing review on the structure, size, composition and diversity of the Board on a regular basis and make recommendations on any proposed changes to the Board and its composition, and will 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 that satisfies the needs of the Company's business. Selection of candidates will be based on a range of perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. During the Year Under Review, 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 has been duly implemented. The individual attendance of each relevant Director at the meeting are as follows:

Name of Director	Number of meetings attended
Mr. Yang Ziyuan	1/1
Mr. Liang Zhongkang	1/1
Mr. Wang Hu (resigned on 4 March 2021)	1/1
Prof. Lu Yuanping	1/1
Mr. O'Yang Wiley	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 to the Listing Rules. The Remuneration Committee consists of four members, namely Mr. Liang Zhongkang, Mr. Yang Ziyuan, Mr. O'Yang Wiley and Prof. Lu Yuanping. Three of the members of the Remuneration Committee are our independent non-executive Directors. The Remuneration Committee is chaired by Mr. Liang Zhongkang.

Corporate Governance Report

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 award shares and share options to eligible participants pursuant to the Share Award Scheme and the Share Option Scheme.

The remuneration policy for the Directors and senior management members was based on their experience, level of responsibilities 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 members of senior management.

During the Year Under Review, 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 meetings attended
Mr. Liang Zhongkang	1/1
Mr. Yang Ziyuan	1/1
Prof. Lu Yuanping	1/1
Mr. O'Yang Wiley	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 Strategic Development Committee on 16 June 2015. The Strategic Development Committee consists of six members, namely, Mr. Yang Ziyuan, Mr. Sun Xingyu, Ms. Chu Yinghong, Mr. Wong Yim Pan, Mr. Liang Zhongkang, and Mr. Ho Ho Tung Armen. Mr. Yang Ziyuan has been appointed as the chairman of the Strategic Development Committee.

The primary function of the Strategic 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 Under Review, the Strategic Development Committee did not hold any meeting. Subsequent to 31 December 2020, the Strategic Development Committee held a meeting on 30 March 2021 to review the business decision and formulate future business development and strategies of the Company.

Risk Management and Internal Control

Sufficient and effective risk management and internal control systems provide reasonable guarantee for the attainment 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 the relevant CG Code provisions on risk management.

Corporate Governance Report

The Board is responsible for assessing and determining the nature and extent of risks that the Company is willing to accept for achieving the business objectives, 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.

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

The Chief Executive Officer and senior management team are 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 the compilation of a report to the Board in this regard at least once a year.

The Risk Control and Internal Audit Department ("RCIA") is responsible for coordinating and arranging risk assessment and risk response, and promoting risk management and risk assessment. RCIA also has the functions to arrange post check, audit and monitoring of the risk management and internal control systems, and conduct independent assessment of internal audit activities.

These systems aim at managing, instead of eliminating, the risks that may impede us from attainment of the Company's strategy and providing reasonable, but not absolute, assurance for prevention of material mismanagement or loss.

Risk management procedures

The Group has established a risk management framework, including the construction of the architecture for the 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 counter-measures.

Step 3: Risk control – implement and periodically assess the identified risks to ensure effective operation of risk counter-measures.

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 advisor to assist the RCIA 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 and those who are responsible for corporate governance, the Board has reviewed 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 the 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. To further strengthen the management's responsibilities to the Group's internal control system and confirmation work on the effectiveness of the Group's internal control systems during the Year under Review,

Corporate Governance Report

the compliance and internal control department, in accordance with the COSO framework, assisted the management to set up the internal self-assessment questionnaire, guided the senior management team to make self- assessment and collected the results thereof. The Chief Executive Officer reviewed the results of the self-assessment of each senior management, assessed the overall effectiveness of the Group's internal control system, and represented the Group's senior management team to submit a letter of confirmation to the Audit Committee and Board.

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 RCIA, with an aim to continuously improve the effectiveness of risk management and internal control of the Group. The RCIA 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 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 for the Group to improve its internal control and risk management system, execute standard system and strengthen 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 sensitive or important 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 on the extent of its implications before submission to the Board for discussion and determination of compliance requirement. With a view to effectively implement the handling procedures for the Group's inside information, the Group has provided training on inside information for its 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.

During the Year Under Review, the Audit Committee, on behalf of the Board, conducted a review on the effectiveness 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 Under Review, the Board is of the view that the risk management and internal control systems are effective and sufficient, and no material issues which may affect the Shareholders were identified in the Year Under Review.

For details of the Group's potential risks identified in the Year Under Review and counter-measures therefor, please refer to the "Report of the Directors" in this annual report.

Auditors' Remuneration

During the Year Under Review, the remuneration provided and paid to the Company's external auditors, PricewaterhouseCoopers, was approximately RMB2.6 million and RMB0.3 million for audit services and non-audit services respectively. The non-audit services were rendered for the provision of taxation and advisory services for risk management and internal control.

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 Under Review are set out on page 45 of this annual report.

Corporate Governance 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 trainings in the Year Under Review 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 (except the annual general meeting) should 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 of the Company 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 request 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 Under Review, there was no amendment to 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 or member 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.

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 Under Review.

Corporate Information

The Company was incorporated in the British Virgin Islands ("BVI") with limited liability on 8 September 2011. The Company's shares were listed on the Main Board of the 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, glass containers and aluminium foil bags, (ii) the production and sales of beverage products and (iii) trading of fresh fruit. Processed fruit products are sold under our own brands "繽果時代 (Bingo Time)", "天同時代 (Tiantong Times)" and "果小懶 (fruit zz)" and on an OEM basis. Beverage products are sold under our own brand "享派 Shiok Party".

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 8 to 15 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's business continued to flourish in 2020, and focused on innovative research and development, enhanced product quality and production efficiency, optimised structure of product mix, strengthened its core competitiveness. The Group recorded satisfactory results for the year with revenue, gross profit and net profit of approximately RMB850.3 million, RMB234.6 million and RMB149.1 million respectively.

Relationship with Customers and Suppliers

The Group understands the importance of maintaining good relationship with its customers and suppliers to meet its immediate and long-term business goals. During the Year under Review, there were no material and significant dispute between the Group and its customers and suppliers.

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 to and compliance with all significant legal and regulatory requirements. As far as the Company is aware and save and except for certain deviation from the CG Code as set out under Appendix 14 to 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.

Environmental Policies and Performance

The Group is committed to operate in compliance with the applicable environmental laws as well as protecting the environment by minimising the negative impact of the Group's existing business activities on the environment. We strived to implement various measures to reduce Greenhouse Gas ("GHG") emissions during the past year to minimise our impact on the environment in the hopes of securing sustainable development capability of our business. To balance business development with the need to protect the environment, we have considered utilising increasingly advanced technology to improve our current energy portfolio, in order to achieve effective energy conservation and emissions reduction. We will also strengthen communications with our customers and endeavour to further increase the proportion of environmentally friendly materials selected and used as packaging material.

Details of the environmental policies and performance of the Group are set out in our 2020 Environmental, Social and Governance Report which will be available on the websites of the Stock Exchange and the Company.

Report of the Directors

Workplace Quality

The Group always takes human resources as priority. The Group also recognises the importance of good working relationship with its employees. During the Year Under Review, the Group has not experienced any significant problems with its employees nor any significant labour disputes or industrial actions.

For the human resources management, the Group has established a sound personnel management program, including the protection of labour rights and interests to avoid illegal employment as well as the staff training system, etc. The Directors believe that the Group has good working relationship with its employees as a whole.

The Group continued to support the social responsibilities in the long run, 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 the enterprises.

Principal risks and uncertainties

The Group is exposed to a variety of key financial risks including market risk, credit risk and liquidity risk. Details of the aforesaid key risks and risk management measures are elaborated in Note 3 headed "Financial risk management" to the Consolidated Financial Statements of this annual report.

During the Year Under Review, the Group identified its critical risks through its risk management process. With the continuous changes in the scale of business, scope of operation and external environment, the management believe that the five critical risks disclosed in the 2019 annual report still existed. Due to the launch of the new vitamin sports drink product with good market prospects by the Group in 2020, the Group became a competitor of other beverage companies. Therefore, the market competition risk has become significant and is regarded as a new risk faced by the Group in 2020. In comparison with 2019, risk in public emergency and international business environment risk increased, while the other risks stayed at the similar level as that of the previous financial year. The effects of each category of risks on the Group and the corresponding alleviating/avoidance measures to manage such risks are as follows:

Risk in Public Emergency

Natural disasters, social security events or epidemics, including earthquakes, fires, terrorist attacks, influenza (such as H1N1 and SARS), novel coronavirus disease ("COVID-19"), etc. may endanger the safety of the staff and negatively affect the operation of the Group. Such incidents may cause damage to the logistics network on which the Company and its business partners operate and increase international shipping costs, or cause the Group's failure in delivering products to customers on time due to government policies and administrative orders. They may also delay the Group's customers in placing their orders or settlement of the invoices.

Risk Management Measures: The Group has established the necessary response mechanisms for public emergencies to protect the personal safety of employees and the public, as well as the safety of the Group's property, and carried out relevant drills on a regular basis. In response to the pandemic situation of COVID-19, an emergency leading group for epidemic prevention and control was promptly set up. According to the emergency plan, all team members cooperated with each other, fulfilled their responsibilities at all levels, and strictly implemented the prevention and control measures for COVID-19. The Group has actively communicated with its business partners on raw material supply, order production and logistics arrangement; it has also paid close attention to the safety of employees, and issued management policies in a timely manner based on the requirements of the national and local government, to ensure the safety of employees.

Report of the Directors

International Business Environment Risk

The Group's products are sold in both the PRC and overseas markets. The uncertainty of the international political environment and policy trends may have a negative impact on our overseas sales. For example, the recent China-US trade friction has led to increased US tariffs on Chinese imports into the US, which may lead to the increase of retail price of our products in the US market, thus causing erosion of the price competitiveness of our products in the US market. If the China-US trade friction subsists or intensifies, it may adversely affect the business prospects of the Group in the US.

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

Investment Management and Mergers & Acquisitions Risks

In order to satisfy the increasing demand for the Group's food and beverage products, the Group may expand its production capacity, enrich its product category or diversify sales pipelines through expanding production bases, purchasing production equipment and establishing joint ventures or acquiring other food processing and manufacturing enterprises in the next few years. As a result, there will be more stringent requirements for operation management and post-investment management to the Group.

Risk Management Measures: The Group attaches great importance to risk in investment and M&A management, and has established a specific team under the Board to advise on investment and M&A matters. The specific team follows up the post-investment management work, regularly understands the progress of the investment project, and reviews the investment return to ensure that the investment objectives are achieved. Meanwhile, professionals are engaged to conduct due diligence and assess the acquisition targets to reduce various potential risks of acquisitions such as litigation risks and financial risks. The Group also regularly evaluates the funding situation and continuously expands financing pipelines to enhance the financing capabilities of the Group, in order to support business development and meet investment needs. The Group may retain the original qualified management of the target companies to ensure management stability of the target companies as far as possible. Trainings are usually provided to all staff of the target companies in order to form a uniform group culture. In addition, the Group has invested resources in internal audit and internal control functions of the acquired and investee companies, and to continuously support the management of the acquired and investee companies in establishing sound risk management and internal control systems.

Market Competition Risk

There are many competitors in the fruit processing and functional beverage industries, and the Group is facing competition from domestic and international processed fruit product manufacturers and sellers. Some competitors may have lower raw material production costs, longer brand history, lower product pricing or stronger differentiation advantage over types of raw materials, and new fruit products developed according to changes in consumer tastes, etc.. As the product categories of the Group increase, competition with the market may result in lower product profit margins, more difficult market penetration in breadth and depth, etc., which will adversely affect the Group's business development.

Report of the Directors

Risk Management Measures: The Group has formulated strategies for market expansion, including product pricing, product category layout, sales channel expansion and management, etc.. The Group has also gradually enhanced the brand awareness through investment in advertising and marketing. The Group is confident that it would become the most influential brand in the industry and be widely recognized by the public. The Group has actively expanded the existing production capacities through enlarging plant areas, purchasing production equipment and expanding production bases to meet the needs of continuous rapid business growth. The Group continues to improve the diversity of its products and increase the types of fruits from different climate zone to enhance the competitiveness and the industry position of the Group from the perspective of production capacity and category. By establishing a long-term cooperation mechanism with high-quality suppliers, the Group can ensure that the quality and capacity of the supply chain can meet production needs, maintaining the stability of supply chain costs.

Risk in respect of Product Quality and Food Safety

Product quality and food safety are crucial to the food processing industry, so 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 food safety issues. Any incidents in connection with product quality and food safety may adversely affect the confidence of the public towards the products of the Group, which in turn may affect the business and results of operation of the Group.

Risk Management Measures: The Group has been consistently committed to provide healthy and safe products to its customers. As one of the food enterprises with the most comprehensive set of quality certifications, the Group has been continuously dedicated to adhering to stringent international production standards and is accredited with BRC (A), IFS Food (High), FDA, HALAL, SC, KOSHER, BSCI and ISO22000, etc. in respect of its production facilities, quality control and management. The Group has also passed the internal food production standard reviews and audits from certain UK and US supermarket chains. At the same time, as a "Equal production line; Equal standard; Equal quality" food production and export enterprise in China, the Group has been supplying products of equivalent quality to domestic and international markets. The Group will continue to strengthen the supervision of the procurement of raw and auxiliary materials, and through the establishment of an effective supplier evaluation mechanism, to ensure that the credit and product quality of the cooperating suppliers are guaranteed, ensuring product quality and safety from the source.

Brand and Reputation Risk

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

Risk Management Measures: The Group's existing registered brands include "繽果時代 (Bingo Times)", "天同時代 (Tiantong Times)", "果小懶 (fruit zz)" and "享派 Shiok Party". Ever since the year of 2015, the Group has vigorously consolidated its own brand product business, and engaged professional public relation companies to handle any possible critical incidents that may be prejudicial to the Group's image. Internally, the Group has also arranged personnel to locate and collect any adverse reports or information related to the Group and report to the management in a prompt manner, and the management will deal with the same in accordance with the policies and procedures of the Group. The Group enhances its brand reputation and influential power through proactively participating in industry forums and events organised by China Canned Food Industry Association. Moreover, the Group plans to engage professionals in brand building, and gradually increases investment in advertisement to promote the Group's image and brands by further leveraging on media resources with the assistance of marketing and branding consultants.

Report of the Directors

The Group always adheres to the vision of "Creating a Global brand, Becoming a Centenary Enterprise", and takes "Producing safe and healthy food, Creating a better and prosperous life" as its corporate missions. The Group is dedicated to serve the pursuit of health and happiness of the customers, and to provide consumers with green, healthy, natural and environmentally friendly fruit products. Over the years, as one of the food companies with the most comprehensive set of quality certifications at home and abroad, the Group has won many important awards in the industry, including the top honour and qualification of "China Canned Product Quality Certification Mark". The Group is also the first fruit processor in China's fruit processing industry authorised to place the "Zero Added Preservatives" label on its processed fruit products sold in China. The Group was awarded 2017 China's Most Promising Listed Companies by the internationally renowned financial magazine Forbes and the "2017 Linyi Mayor Quality Award". The Group's proprietary researched and developed pure fruit snack food products were issued the "Certificate of Invention Patent" by the State Intellectual Property Office of the People's Republic of China in 2018. The Group and its own brand, "Bingo Times", were awarded as Chinese leading canned food enterprises and leading brands by national institutions in 2019. In 2020, the Group's wholly-owned subsidiary, Shandong Tiantong, was elected as one of the Most Valuable Chinese Brands for the fourth consecutive year and surpassed the RMB1.5 billion threshold in its assessed brand value for the first time in 2020. All these awards and recognitions show a high level of market recognition for the Group's brand value, and also reflect the steady growth of market share for the Group's own brand products. In addition, the Group was awarded the Hi-tech Enterprise Certificate jointly issued by the Department of Science and Technology of Shandong Province, the Shandong Provincial Department of Finance, and the Shandong Provincial Tax Service of State Taxation Administration in 2020, signifying a national level recognition on the Group's technological and innovative capabilities.

The above are not intended to be an exhaustive list of all principal risks and uncertainties the Group is facing. These risks may change from time to time as new risks and uncertainties may emerge and others cease to be a 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 from 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 uses of the net proceeds are 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	58.1	55.3
Expand distribution and sales network	34.0	34.0	–
Enhance our brand awareness and promote the on-line shopping platform	34.0	34.0	–
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	–

The Group plans to utilise all unused proceeds in the year ending 31 December 2021.

Report of the Directors

Future business development

Please refer to the paragraph headed "Outlook" of the section headed "Management Discussion and Analysis" in this annual report for further details.

Results and Dividend

The results of the Group for the Year under Review are set out in the consolidated statement of comprehensive income on page 47. The Board has resolved not to declare any final dividend for the year ended 31 December 2020.

Significant Investments

As at 31 December 2020, the Group did not hold any significant investments (2019: nil).

Closure of Register of Members

For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021 (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 2021 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 May 2021.

Major Customers and Suppliers

During the Year Under Review, the aggregate sales to the Group's five largest customers accounted for approximately 18.2% of the Group's total revenue and sales to the Group's largest customer was approximately 5.7% of the Group's total revenue.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 25.4% of the Group's total purchases, and the purchases attributable to the Group's largest supplier was approximately 6.5% 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.

Report of the Directors

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 Group and Company during the Year under Review are set out in note 21 to the consolidated financial statements respectively. Under the BVI Business Companies Act, the share capital 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.

Reserves

As at 31 December 2020, the Company has no reserve available for distribution to shareholders (2019: nil).

Details of the movements in reserves of the Group and of the Company during the year are set out in notes 22 and 34 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 103 of this annual report.

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

During the Year Under Review, 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 movements in the share capital of the Company during the year are set out in note 21 to the consolidated financial statements.

Equity-linked Agreements

Other than the Share Option Scheme as disclosed in this annual report and note 23 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the Year Under Review or subsisted at the end of the Year Under Review.

Report of the Directors

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 Under Review 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 closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; and

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

Report of the Directors

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

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

Movements of the Company's share options during the Year Under Review were as follows:

Grantee	Outstanding 01/01/2020	Exercised during the year ended 31/12/2020	Lapsed during the year ended 31/12/2020	Outstanding at 31/12/2020	Date of Grant	Exercised period	Exercise price (HK$)	Price of the Company's share immediately before the grant date (HK$)
Key management	255,000	–	(255,000)	–	06/10/2015	*Note 1*	1.70	1.70
Other Employees	1,245,000	–	(1,245,000)	–	06/10/2015	*Note 1*	1.70	1.70
	1,500,000	–	(1,500,000)	–				
Key management	705,000	–	(352,500)	352,500	21/04/2016	*Note 2*	0.97	0.93
Other Employees	3,145,000	–	(1,572,500)	1,572,500	21/04/2016	*Note 2*	0.97	0.93
	3,850,000	–	(1,925,000)	1,925,000				
Total	5,350,000	–	(3,425,000)	1,925,000				

Notes:

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

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

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

   (c) 25% of the share options shall be exercisable during the period from 1 January 2018 to 31 December 2020 (upon vesting of the same on 31 December 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).

Report of the Directors

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 Under Review, 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 16 to the consolidated financial statements.

Retirement Benefit Scheme

As required by PRC laws and regulations as well as mandatory rules of the PRC 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 and regulations 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 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 statement of approximately RMB2.1 million (2019: RMB3.7 million) represents contributions paid and payable to the retirement benefit scheme during the Year under Review.

Donations

During the Year Under Review, we donated a total of approximately RMB264,000 for charitable purpose (2019: RMB44,000).

Directors

The Directors during the Year under Review and up to the date of this annual report were:

Executive Directors

Mr. Yang Ziyuan *(Chairman and Chief Executive Officer)*
Mr. Sun Xingyu
Mr. Wang Hu *(resigned on 4 March 2021)*

Non-executive Directors

Ms. Chu Yinghong
Mr. Wong Yim Pan
Mr. Liu Zhumeng *(resigned on 4 March 2021)*

Independent Non-executive Directors

Mr. Liang Zhongkang
Prof. Lu Yuanping
Mr. O'Yang Wiley

Report of the Directors

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 subject to retirement shall (unless they otherwise agree among themselves) be determined by lot.

Pursuant to Article 75(1) of the Articles of Association of the Company, Mr. Yang Ziyuan, Mr. Sun Xingyu and Mr. Wong Yim Pan will retire from office as Directors by rotation at the AGM and, being eligible, offer themselves for re-election.

In compliance with Rule 3.10(1) of the Listing Rules, the Board currently comprises three independent non-executive Directors, representing 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 38 to 41 to this annual report.

Directors' Service Contracts

Mr. Yang Ziyuan and Mr. Sun Xinyu has renewed his service contract with our Company pursuant to which he agreed to act as an executive Director for another term of 3 years with effect from 16 June 2018.

Each of our non-executive Directors and independent non-executive Directors has signed a letter of appointment with our Company respectively. Save and except for Prof. Lu Yuanping and Mr. O'Yang Wiley, the term of office of our non-executive Directors and independent non-executive Directors is 3 years with effect from 16 June 2018. The term of office for Prof. Lu Yuanping is 3 years with effect from 27 June 2019, and the term of office for Mr. O'Yang Wiley is 3 years with effect from 11 November 2019.

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.

Report of the Directors

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 Under Review.

Related Party Transactions

Details of related party transactions entered into during the year were disclosed in note 32 to the consolidated financial statements. These related party transactions either did not constitute connected transactions under the Listing Rules or were discontinued prior to the listing of the Company's shares on the Stock Exchange.

Directors' Interests in Competing Businesses

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

Management Contracts

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

Independent Non-executive Directors

Each of the Independent Non-executive Directors has confirmed their independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all of the Independent Non-executive Directors to be independent in accordance 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 2020, 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:

Report of the Directors

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	193,702,260 *(Note 1)*	19.82%
Ms. Chu Yinghong	Interest of spouse	193,702,260 *(Note 2)*	19.82%
Mr. Sun Xingyu	Interest of a controlled corporation	110,000,000 *(Note 3)*	11.25%

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.

Save as disclosed above, as at 31 December 2020, 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 2020, 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 Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long Position in the Shares of the Company

Name of Shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of total issued share capital
Sichuan Development International Holding Company Ltd. *(Note 1)*	Beneficial owner	263,914,740	27.00%
Wealthy Active Limited *(Note 2)*	Beneficial owner	193,702,260	19.82%
Wealthy Maker Limited *(Note 3)*	Beneficial owner	110,000,000	11.25%
Sino Red Limited *(Note 4)*	Beneficial owner	72,965,000	7.46%

Report of the Directors

Notes:

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

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

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

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

Save as disclosed above, so far as is known to the Directors of the Company, no other person (other than the Directors and chief executive of the Company) had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which were or required to be disclosed under the provisions of Divisions 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 2020.

Corporate Governance Practices

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report as set out on pages 16 to 23 of this annual report.

Sufficiency of Public Float

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

Review of the Final Results by Audit Committee

The Audit Committee has reviewed together with the management and the Company's independent auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, including the review of the audited consolidated financial statements for the year ended 31 December 2020.

Auditor

The consolidated financial statements for the year ended 31 December 2020 were audited by PricewaterhouseCoopers. A resolution for the reappointment of PricewaterhouseCoopers as the Company's independent auditor and authorising the Board to fix its remuneration will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Tianyun International Holdings Limited

Yang Ziyuan
Chairman

Hong Kong, 30 March 2021

Biographical Details of Directors and Senior Management

The biographical details of the Directors and senior management as at the date of this annual report are as follows:

Executive Directors

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

Mr. Yang Ziyuan, aged 57, 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 臨沂同泰食品機械製造有限公司 ("Linyi Tongtai Food Machine Manufacture Co., Ltd.") ("Tongtai") as a director and vice chairman in March 1995 and co-founded 山東天同食品有限公司 ("Shandong Tiantong Food Co., Ltd.") ("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 60, 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 60, 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).

Biographical Details of Directors and Senior Management

Mr. Wong Yim Pan (黃炎斌)

Mr. Wong Yim Pan, aged 53, 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.

Independent Non-executive Directors

Mr. Liang Zhongkang (梁仲康)

Mr. Liang Zhongkang, aged 76, 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. He is currently a China Canned Food Industrial Technical Expert.

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 was the chairman of the executive committee of China Canned Food Industry Association (中國罐頭工業協會), and he was 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), from January 2011 to June 2017.

Prof. Lu Yuanping (呂遠平)

Prof. Lu Yuanping, aged 50, was appointed as our independent non-executive Director on 27 June 2019. She obtained a doctorate degree in Engineering from Sichuan University in 2009.

Prof. Lu, is the vice dean of Sichuan University Institute of Agricultural Products Processing and faculty head of the Food Engineering Faculty of the same university. She is also the deputy head of Food Science and Technology Sichuan Province Higher Education Major Laboratory. She has edited 4 textbooks and published more than 60 academic articles regarding food processing. She has obtained 24 patents related to food processing. She was in charge of more than 30 research projects commissioned by provincial and municipal governments and corporations. She was named Sichuan University Young Backbone Teacher in 2004, 2007 and 2009. She obtained Sichuan Province Higher Education Teaching Award Prizes in 2004 and 2005.

Biographical Details of Directors and Senior Management

Mr. O'Yang Wiley (歐陽偉立)

Mr. O'Yang Wiley, aged 58, was appointed as our independent non-executive Director on 11 November 2019. Mr. O'Yang graduated from the Chinese University of Hong Kong in Hong Kong with a bachelor's degree in Social Science in December 1985 and a master's degree in Business Administration in October 1990. He obtained a common professional examination certificate from the School of Professional and Continuing Education of the University of Hong Kong in Hong Kong in June 1993. He obtained the postgraduate certificate in Laws from the department of professional legal education of the Faculty of Law at the University of Hong Kong in June 1994. He is also a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Law Society of Hong Kong.

Mr. O'Yang has served as an independent non-executive director of Hong Kong Economic Times Holdings Limited (stock code: 0423) since October 2012, as an independent non-executive director of Midea Real Estate Holding Limited (stock code: 3990) since the company's listing in October 2018 and as an independent non-executive director of D&G Technology Holding Company Limited (stock code: 1301) and AB Builders Group Limited (stock code: 1615) since May and June 2019 respectively. Mr. O'Yang serves as the managing director of Shanggu Securities Limited since February 2018. Prior to joining Shanggu Securities Limited, he worked for over 13 years in various financial institutions, including CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. (stock code: 1988), Kim Eng Securities (Hong Kong) Limited, a wholly-owned subsidiary of Malayan Banking Berhad, UBS AG, Hong Kong branch, J.P. Morgan Securities (Asia Pacific) Limited and BNP Paribas Capital (Asia Pacific) Limited, and held the positions of managing director and executive director. Mr. O'Yang had also worked for over six years as a solicitor in private practice at a number of solicitors' firms and was a partner of Richards Butler (currently known as Reed Smith Richards Butler) immediately before he joined BNP Paribas Capital (Asia Pacific) Limited in May 2004.

Senior Management

Ms. Lv Chunxia (呂春霞), aged 56, is our deputy general manager who joined our Group in January 2003, being responsible for product quality inspection and product development of the Group.

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, the director of quality inspection and the deputy director of quality 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) for four consecutive sessions since August 2002. She has also been appointed as a committee member of the third Expert Committee of Canned Food Technology Committee of China Canned Food Industry Association (中國罐頭工業協會科技工作委員會第三屆委員會專家委員) in May 2010. In November 2017, she was appointed as a member of the canning sub-Technical committee of the National Technical Committee of Food Industry Standardization (全國食品工業標準化技術委員會罐頭分技術委員會委員). And She was awarded the title of Outstanding Technical Expert of China Canning Industry (中國罐頭行業優秀技術專家稱號) in November 2018.

Mr. Ho Ho Tung Armen (何浩東), aged 44, was appointed as our Chief Financial Officer and Company Secretary in February 2015. He is primarily responsible for overseeing the corporate strategies, finance, capital market, investor relations, board governance, internal audit and compliance, and the Hong Kong office of the Group. 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 PricewaterhouseCoopers Hong Kong, KPMG UK and Grant Thornton Corporate Finance UK from 1998 to 2006 specialising in audit, advisory and corporate finance.

Biographical Details of Directors and Senior Management

Mr. Ho received a MBA degree from the University of Chicago Booth School of Business, a Master of Science degree in financial economics from University of London and a Bachelor of Arts (Honours) degree in accountancy from City University of Hong Kong. He is currently a member of the Hong Kong Institute of Certified Public Accountants. Mr. Ho has been an independent non-executive director of Stream Ideas Group Limited (stock code: 08401.HK) and Sunlight Technology Holdings Limited (stock code: 01950.HK) since the company's listing in March 2018 and March 2020 respectively.

Mr. Jiang Yubao (蔣余寶), aged 47, was appointed as general manager of Shandong Tiantong in February 2019. He is responsible for overall management matters of Shandong Tiantong. Mr. Jiang joined Tongtai of our Group in August 1995 after graduation. He was then transferred to Shandong Tiantong in January 2003, as the trading manager and responsible for overseeing sales, and import and export matters of Shandong Tiantong. Mr. Jiang graduated from Linyi Business School of Shandong Province (山東省臨沂商業學校) in July 1995 majoring in accountancy and statistics.

Ms. Jiang Xiulan (姜秀蘭), aged 49, was appointed as deputy general manager of Shandong Tiantong in February 2019. She is responsible for overseeing matters relating to human resources, quality control, risk management and internal control of Shandong Tiantong. She joined Shandong Tiantong in January 2003 as a manager in the quality control department. Ms. Jiang completed a course majoring in accounting and auditing in Heilongjiang Business School (黑龍江商學院) in July 1991. She is currently studying for Bachelor of Food Quality and Professional Safety in China Agricultural University on a part time basis. Between October 1992 and January 2003, she was the statistician and chief of enterprise management of Linyi City Cannery (臨沂罐市頭廠).

Mr. Sun Lei (孫磊), aged 41, was appointed as deputy general manager of Shandong Tiantong in February 2019. He is responsible for overseeing matters relating to finance and warehousing of Shandong Tiantong. He joined Shandong Tiantong in January 2003 as a deputy manager in the finance department. Mr. Sun graduated from Linyi Business School of Shandong Province (山東省臨沂商業學校) in June 1995 majoring in accountancy and statistics. He also graduated from Party School of Shandong Province Linyi City Committee of Communist Party of China (中共山東臨沂市委黨校) majoring in economics and management in June 1998. Between December 1995 and January 2003, he was the statistician and finance manager of Linyi City Cannery (臨沂市罐頭廠).

Mr. Wang Chuanjian (王傳建), aged 46, was appointed as deputy general manager of Shandong Tiantong in February 2019. He is responsible for overseeing matters relating to production and procurement of Shandong Tiantong. He joined Shandong Tiantong in January 2003. Mr. Wang graduated from Heze Agricultural School (菏澤農業學校) in July 1994 majoring in agricultural product storage and processing. Between October 1994 and January 2003, he was the sealing unit leader, workshop quality inspector, deputy manager of production technique and head of workshop of Linyi City Cannery (臨沂市罐頭廠).

Mr. Li Jinrong (李金榮), aged 42, was appointed as general manager of Yichang Tiantong since February 2018. He is responsible for overall management matters of Yichang Tiantong. Mr. Li has been engaged in the production and sales of beverages and processed fruit industry for over 15 years. Mr. Li received the recognition as a criminal investigation specialist in Hubei Province Jingzhou People's Police School and an administration management certification in Hubei Normal University. He is currently studying for Bachelor of Laws in Wuhan University of Science and Technology on a part time basis.

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 47 to 102, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 2020, 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.

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Independent Auditor's Report

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.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to notes 2.8, 4(a) and 15 to the consolidated financial statements for the disclosure of the related accounting policies, judgement and estimates.* As at 31 December 2020, certain portions of integrated building centre in Shandong were classified as investment properties with carrying amount of approximately RMB30,300,000. These investment properties were measured at fair value in the consolidated statement of financial position. There was a fair value loss of approximately RMB342,000 recorded in the consolidated statement of comprehensive income for the year. Management engaged an independent valuer to determine the fair value of the investment properties. The valuation was derived using the direct comparison method and relevant key assumptions included asking sales price of comparable properties and adjustments for differences in key attributes. The selection of valuation method and the key assumptions used in the independent valuation requires significant judgement and estimation. We focused on auditing this area because the determination of the fair value of these investment properties is subject to high degree of estimation uncertainty due to the subjectivity of significant assumptions used and judgements involved in selecting valuation methodology and data.	Our audit procedures in relation to key assumptions used in the valuation of investment properties included: • Obtained an understanding of the management's internal control and assessment process on determining the fair value of the investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity on assumptions used and judgements involved in selecting valuation methodology and data. • Evaluated the independent valuer's competence, capabilities and objectivity by considering their qualifications, relevant experiences and relationship with the Group; • Obtained the valuation reports and holding meetings with the independent valuer, together with our internal valuation experts, to discuss and evaluate the valuation methodology and key assumptions adopted; • Challenged the independent valuer the appropriateness of the valuation method, assumptions and adjustments made for the differences in the key attributes in the property valuation; and • Performed independence research on relevant data and compared the result with the data used by the independent valuer. Based on the above, we considered that management's judgements and assumptions applied in the valuation of investment properties were supportable by the evidence obtained.

Independent Auditor's Report

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables *Refer to notes 2.14, 3.1 and 19 to the consolidated financial statements for the disclosure of the related accounting policies, judgement and estimates.* As at 31 December 2020, the Group had gross trade receivables of approximately RMB173,988,000, against which a provision for impairment of approximately RMB691,000 was recognised. Management applied HKFRS 9 by using the simplified approach to measure the lifetime expected credit losses ("ECL") allowance for all its trade receivables. In developing the ECL allowance of trade receivables, Management grouped the trade receivables with similar credit risk characteristics and ageing profile, and applied judgement in making the assumptions about the risk of default and expected loss rate with reference to the historical payment profiles of sales and the corresponding historical credit losses rate and adjusted to reflect the current and forward-looking information on macroeconomic factors that are considered relevant to determine the ability of customers to settle the receivable in future. We focused on auditing this area because trade receivables is significant to the consolidated financial statements and the estimation of ECL involved a significant level of judgement by management to determine the use of internal and external data from various sources to establish the historical credit loss experience and to adjust this experience for expected future changes.	Our audit procedures in relation to management's assessment of the impairment of trade receivables included: • Obtained an understanding of the management's internal control and assessment process on ECL assessment, including the methodology of the assessment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity on assumptions used and judgements involved in the assessment; • Evaluated and validated the key controls performed by management over the debt collection process and impairment assessment process, in particular over the calculation of allowance according to the lifetime ECL model; • Performed retrospective review by comparing previous estimates to actual outcome, and evaluated the outcome of prior period assessment of impairment of trade receivable to assess the effectiveness of management's estimation process; • Analysed the ageing profile and historical loss allowance on trade receivables to assess the reasonableness of expected loss calculated by management; • Performed testing, on a sample basis, of the accuracy of the trade receivable ageing reports; • Challenged management for the assumptions and data used in assessing the expected loss rate, corroborated explanations with underlying documentation and correspondence with customers; • Checked the computation of the amount of ECL allowance and evaluated the expected future changes in credit risk in management's assessment by sample checking the inputs to the assumption to external data sources; • Interviewed supervisors in finance department and sales department to corroborate their explanations on the doubtful receivable balance on a sample basis to evaluate whether any increase in credit risk which may trigger further specific provision; and Based on the above, we considered the judgements and estimates applied in respect of the impairment of account receivables were supported by the available evidence.

Independent Auditor's Report

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 Those Charged with Governance 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.

Those charged with governance are 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.

Independent Auditor's Report

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

- 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.

- 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 those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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 Ho Chun Yu.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 March 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Revenue	*6*	**850,250**	1,062,767
Cost of sales	*7*	**(615,644)**	(766,726)
Gross profit		**234,606**	296,041
Other income	*6*	**2,645**	4,753
Other losses, net	*6*	**(6,624)**	(2,539)
Selling and distribution expenses	*7*	**(15,301)**	(18,295)
General and administrative expenses	*7*	**(39,230)**	(45,980)
Operating profit		**176,096**	233,980
Finance income		**15,611**	4,185
Finance costs		**(8,620)**	(13,144)
Finance income/(costs) – net	*9*	**6,991**	(8,959)
Profit before income tax		**183,087**	225,021
Income tax expense	*10*	**(33,952)**	(55,960)
Profit and total comprehensive income, net of tax for the year		**149,135**	169,061
Profit and total comprehensive income attributable to:			
Equity holders of the Company		**149,253**	169,090
Non-controlling interest		**(118)**	(29)
		149,135	169,061
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB dollar)			
– Basic earnings per share	*11*	**0.151**	0.172
– Diluted earnings per share	*11*	**0.151**	0.171

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	*13*	**78,638**	81,079
Property, plant and equipment	*14*	**384,447**	286,435
Investment properties	*15*	**30,300**	30,300
Prepayments	*19*	**31,419**	30,000
Goodwill		**1,104**	1,104
Total non-current assets		**525,908**	428,918
Current assets			
Inventories	*17*	**86,969**	101,951
Trade and other receivables	*19*	**218,064**	187,583
Restricted cash	*20*	**5,000**	1,407
Cash and cash equivalents	*20*	**528,287**	471,992
Total current assets		**838,320**	762,933
Total assets		**1,364,228**	1,191,851
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*21*	**141,685**	168,437
Reserves	*22*	**874,947**	725,694
		1,016,632	894,131
Non-controlling interest		**(147)**	(29)
Total equity		**1,016,485**	894,102
LIABILITIES			
Non-current liabilities			
Contingent consideration payable	*33*	**–**	6,962
Lease liabilities	*13*	**–**	355
Deferred tax liabilities	*28*	**4,590**	3,067
Total non-current liabilities		**4,590**	10,384
Current liabilities			
Trade and bills payables	*25*	**19,776**	29,066
Accruals and other payables	*26*	**28,570**	22,599
Amount due to a substantial shareholder	*32(b)*	**81,630**	20,301
Amount due to the non-controlling interest	*32(b)*	**–**	103
Bank and other borrowings	*27*	**180,388**	203,445
Contingent consideration payable	*33*	**20,207**	6,963
Lease liabilities	*13*	**355**	410
Current income tax liabilities		**12,227**	4,478
Total current liabilities		**343,153**	287,365
Total equity and liabilities		**1,364,228**	1,191,851

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 47 to 102 were approved by the Board of Directors on 30 March 2021 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 2020

	Attributable to equity holders of the Company					
		Reserves *(Note 22)*				
	Share capital RMB'000	Shares held under share award scheme RMB'000	Other reserves RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2019	207,383	–	558,684	766,067	–	766,067
Comprehensive income						
Profit for the year	–	–	169,090	169,090	(29)	169,061
Total comprehensive income for the year	–	–	169,090	169,090	(29)	169,061
Transaction with owners						
Final dividends paid relating to 2018 *(Note 12)*	(23,189)	–	–	(23,189)	–	(23,189)
Interim dividends paid relating to 2019 *(Note 12)*	(15,757)	–	–	(15,757)	–	(15,757)
Employees share option scheme *(Note 23)*:						
– acquisition of shares held under share award scheme	–	(2,080)	–	(2,080)	–	(2,080)
Total transactions with owners	(38,946)	(2,080)	–	(41,026)	–	(41,026)
Balance at 31 December 2019	168,437	(2,080)	727,774	894,131	(29)	894,102

	Attributable to equity holders of the Company					
		Reserves *(Note 22)*				
	Share capital RMB'000	Shares held under share award scheme RMB'000	Other reserves RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2020	168,437	(2,080)	727,774	894,131	(29)	894,102
Comprehensive income						
Profit for the year	–	–	149,253	149,253	(118)	149,135
Total comprehensive income for the year	–	–	149,253	149,253	(118)	149,135
Transaction with owners						
Final dividends paid relating to 2019 *(Note 12)*	(26,752)	–	–	(26,752)	–	(26,752)
Total transactions with owners	(26,752)	–	–	(26,752)	–	(26,752)
Balance at 31 December 2020	141,685	(2,080)	877,027	1,016,632	(147)	1,016,485

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	*29(a)*	**183,014**	219,573
Interest paid		**(9,746)**	(13,144)
Income tax paid		**(24,680)**	(63,911)
Net cash generated from operating activities		**148,588**	142,518
Cash flows from investing activities			
Purchases of property, plant and equipment		**(87,607)**	(45,382)
Prepayment for property, plant and equipment		**(31,419)**	(30,000)
Proceeds from disposal of property, plant and equipment	*29(b)*	**12**	22
Interest received		**15,611**	4,185
Net cash used in investing activities		**(103,403)**	(71,175)
Cash flows from financing activities			
Advance from a substantial shareholder		**65,759**	20,301
Repayment of amount due to a substantial shareholder		**–**	(90,340)
Proceeds from bank and other borrowings		**184,988**	148,831
Repayments of bank and other borrowings		**(207,222)**	(103,743)
Payment for lease liabilities		**(410)**	(66)
Acquisition of the Company's shares under share award scheme	*24*	**–**	(2,080)
Dividends paid to shareholders	*12*	**(26,752)**	(38,946)
Net cash generated from/(used in) financing activities		**16,363**	(66,043)
Net increase in cash and cash equivalents		**61,548**	5,300
Cash and cash equivalents at beginning of the year		**471,992**	464,590
Exchange (losses)/gains on cash and cash equivalents		**(5,253)**	2,102
Cash and cash equivalents at end of the year	*20*	**528,287**	471,992

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1 General information of the Group and Group organisation

1.1 General information

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

The Company is an investment holding company 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, P.O. Box 3140, Road Town, Tortola, British Virgin Islands, VG1110.

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.

Significant changes in current reporting period

Substantially all of the Group's operation is based in Mainland China. In view of outbreak of the coronavirus disease 2019 (COVID-19) (the "pandemic") in Mainland China since January 2020, the Group has adopted various measures in accordance with the relevant national and local regulations on pandemic prevention and control. During the year ended 31 December 2020, there was a decline in revenue as the Group's production and operation in the People's Republic of China ("PRC") were suspended in late January 2020 till late February 2020. The production and operation have gradually resumed afterwards.

Notwithstanding the COVID-19 outbreak appears to slowdown in the PRC, there are still uncertainties as to the development of the pandemic. It is difficult to predict how long these conditions will persist and the extent to which the business of the Group may be affected in the coming year. The Group will pay close attention to the development of the pandemic and evaluate its impact on the operation and financial position and results of the Group.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Hong Kong Companies Ordinance Cap.622, and have been prepared under the historical cost convention as modified by the valuation of investment properties (Note 15) and contingent consideration payables (Note 33), which are stated at fair value.

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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Amended standards and framework adopted by the Group

The Group has adopted the following amendments to standards and framework for the current accounting:

- Amendment to HKFRS 3, "Definition a business"
- Amendment to HKFRS 9, HKAS 39 and HKFRS 7, "Interest Rate Benchmark Reform"
- Amendment to HKFRS 16, "COVID-19 related Rent Concessions"
- Amendment to HKAS 1 and HKAS 8, "Definition of material"
- Conceptual Framework for Financial Reporting 2018, "Revised Conceptual Framework for Financial Reporting"

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The adoption of amendments to existing standards and framework did not have a significant effect on the financial statements or result in any significant changes in the Group's accounting policies.

(b) New and amended standards that have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted

- Amendment to HKFRS 3, "Reference to Conceptual Framework"[2]
- Amendment to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, "Interest Rate Benchmark Reform – Phase 2"[1]
- Amendment to HKFRS 10 and HKAS 28, "Sales of Contribution of Assets between an Investor and its Associate or Joint Venture"[4]
- Amendment to HKAS 1, "Classification of Liabilities as Current or Non-current"[3]
- Amendment to HKAS16, "Property, Plant and Equipment, Proceeds before intended use"[2]
- Amendment to HKAS 37, "Onerous Contracts – Cost of Fulfilling a Contract"[2]
- Annual Improvements 2018-2020 cycles, "Amendments to HKFRS 1, HKFRS 9, HKFRS16 and HKAS 41"[2]
- HKFRS 17, "Insurance Contract"[3]

[1] effective for annual period beginning on or after 1 January 2021
[2] effective for annual period beginning on or after 1 January 2022
[3] effective for annual period beginning on or after 1 January 2023
[4] to be determined

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Certain comparative figures have been reclassified to conform with current year presentation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation

Subsidiaries

Subsidiaries are all entity (including a structured entities) 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to Note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2.3 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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.3 Business combinations *(continued)*

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

2.4 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 a dividend 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.

2.5 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.

2.6 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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.7 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	5-10 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 2.11).

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

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

2.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies of the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and ceased once the asset is substantially complete, or suspended if the development of the asset is suspended.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.8 Investment properties *(continued)*

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated statement of comprehensive income. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the consolidated statement of comprehensive income to the extent that it reverses a previous impairment loss, with any remaining increase recognised directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is charged to the consolidated statement of comprehensive income. Upon the subsequent disposal of the investment property, any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in equity.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.9 Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating companies.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested 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.

2.11 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.11 Investments and other financial assets *(continued)*

(iii) Measurement *(continued)*

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories to classify the debt instruments:

(1) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement. Impairment losses are presented as separate line item in the consolidated income statement.

(2) Fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the consolidated income statement.

(3) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the consolidated income statement in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement as other gains, net when the Group's right to receive payments is established.

Changes in the fair value of FVPL are recognised in other gains, net in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.11 Investments and other financial assets *(continued)*

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.12 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.

2.13 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.

2.14 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 19 for further information about the group's accounting for trade receivables and other receivables and Note 3.1 for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Cash that restricted from withdrawal, use or pledged as security is reported separately on the consolidated statement of financial position, and is not included in the total cash and cash equivalents in the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.16 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the equity holders of the Tianyun International Holdings Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Company.

2.17 Trade, bills and other payables

Trade, bills and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and other 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, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured 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.

2.19 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.

2.20 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bond that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The entire convertible bond is designated as financial liabilities at fair value through profit or loss. It is initially recognised at fair value and subsequently carried at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.21 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.21 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.

2.22 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.23 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.

Share held for share award scheme

When the Company's share are acquired from the market by the trust set up by the Company under a share award scheme, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as "Shares held under the share award scheme" and deducted from total equity. Upon vesting, the related costs of the vested shares for share award scheme purchased from the market are credited to "Shares held under the share award scheme", with a corresponding decrease in "Employee share-based compensation reserve" for the share award scheme.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.24 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.

2.25 Revenue recognition

(a) Sales of goods – whole sale

The Group manufactures and sells a range of processed fruit products and fresh fruit in the market. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from whole sale is recognised based on the price specified in the contract, net of the volume discounts which are determined by the accrual sales made up to each financial year end. No element of financing is deemed present as the sales are made with a credit term of 30-60 days, which is consistent with market practice. The Group has not significant obligation replace fruit products under the standard warranty terms.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sale of goods – retail

The Group operates a retail store selling fruit juice. Revenue from the sale of goods is recognised when a Group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the fruit juice and takes delivery in store.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.25 Revenue recognition *(continued)*

(c) Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 9 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(d) Rental income

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.26 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 consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.27 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Contracts may contain both lease and non-lease components. The Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies *(continued)*

2.27 Leases *(continued)*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability, if any.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and makes adjustments specific to the lease.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment.

Lease income from operating leases where the Group is a lessor is recognised in consolidated statement of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.28 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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

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 2020, 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 RMB47,000 lower/higher (2019: RMB86,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of USD denominated trade receivables, cash and cash equivalents and convertible bond.

As at 31 December 2020, 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 RMB5,593,000 higher/lower (2019: RMB4,063,000 higher/lower), 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 and convertible bond at fixed rates expose the Group to fair value interest rate risk. During 2020 and 2019, the Group's bank and other borrowings were denominated in RMB, and its convertible bond is denominated in USD.

Details of the Group's bank and other borrowings are disclosed in Note 27. The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December 2020, if interest rate on bank borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB596,000 (2019: RMB320,000) lower/higher, mainly as a result of higher/lower of interest expenses on variable rate bank borrowing.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

Credit risk of the Group mainly arises from cash and cash equivalents, restricted cash and trade and other receivables. The maximum exposure to credit risk is therefore represented by the carrying amount of each financial assets as stated in the consolidated and company statements of financial position. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

(i) Risk management

Credit risk is managed on a group basis. As at 31 December 2020 and 2019, cash and cash equivalents and restricted cash are all deposited with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and the identified impairment loss is immaterial.

The Group has risk control procedures to assess the credit quality of the wholesale customers, small and medium enterprises and individual customers, taking into account its financial position, past experience and other factors.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. As at 31 December 2020, top 3 trade receivables of the Group accounted for approximately 11% (2019: 14%) to the total trade receivables of the Group.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade receivable by taking into account of the customers' profiles and subsequent settlement to ensure that adequate impairment is made for the irrecoverable amounts.

(ii) Impairment of financial assets

The Group's trade receivables are subject to the expected credit loss model. While cash and cash equivalents, restricted cash and other receivable are also subject to the impairment requirements of HKFRS 9 "Financial Instruments", the identified impairment loss was immaterial.

Trade receivables

The group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group's trade receivables have been grouped int the following categories based on the common risk characteristics:

– from domestic corporate customers,

– from oversea corporate customers, and

– from small and medium enterprises and individuals

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

Expected loss rates are based on actual loss experience over the past 12 months. When assessing the expected credit losses of new customers with no historical data, the Group would consider external industry information in developing the historical loss rate. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product ("GDP") or unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2020 and 2019 was determined as follows for trade receivables:

Trade receivables from domestic corporate customers

	Current RMB'000	Less than 30 days past due RMB'000	More than 30 days past due RMB'000	Total RMB'000
At 31 December 2020				
Expected loss rate	**0.33%**	**3.41%**	**–**	
Gross carrying amount	**114,764**	**176**	**–**	**114,940**
Loss allowance	**374**	**6**	**–**	**380**
At 31 December 2019				
Expected loss rate	0.20%	–	–	
Gross carrying amount	94,216	–	–	94,216
Loss allowance	188	–	–	188

Trade receivables from oversea corporate customers

	Current RMB'000	Less than 30 days past due RMB'000	More than 30 days past due RMB'000	Total RMB'000
At 31 December 2020				
Expected loss rate	**0.01%**	**–**	**–**	
Gross carrying amount	**39,737**	**–**	**–**	**39,737**
Loss allowance	**4**	**–**	**–**	**4**
At 31 December 2019				
Expected loss rate	0.20%	–	–	
Gross carrying amount	44,902	–	–	44,902
Loss allowance	90	–	–	90

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

Trade receivables from small and medium enterprises and individuals

	Current RMB'000	Less than 30 days past due RMB'000	More than 30 days past due RMB'000	Total RMB'000
At 31 December 2020				
Expected loss rate	**1.59%**	**–**	**–**	
Gross carrying amount	**19,311**	**–**	**–**	**19,311**
Loss allowance	**307**	**–**	**–**	**307**
At 31 December 2019				
Expected loss rate	0.96%	3.33%	–	
Gross carrying amount	42,849	30	–	42,879
Loss allowance	412	1	–	413

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	2020 RMB'000	2019 RMB'000
Opening loss allowance at 1 January	**691**	–
Change in loss allowance recognised in profit or loss during the year	**–**	691
Closing loss allowance at 31 December	**691**	691

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 1 year past due.

Impairment losses on trade receivables are charged within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

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 without taking into consideration the effect of repayable on demand clause. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Repayable on demand/ less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
At 31 December 2020			
Trade and bills payables	**19,776**	**–**	**19,776**
Other payables	**10,821**	**–**	**10,821**
Bank and other borrowings	**183,658**	**–**	**183,658**
Amount due to a substantial shareholder	**81,748**	**–**	**81,748**
Lease liabilities	**361**	**–**	**361**
	296,364	**–**	**296,364**

	Repayable on demand/ less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
At 31 December 2019			
Trade and bills payables	29,066	–	29,066
Other payables	7,732	–	7,732
Bank and other borrowings	209,558	–	209,558
Amount due to a substantial shareholder	20,579	–	20,579
Amount due to the non-controlling interest	103	–	103
Lease liabilities	433	361	794
	267,471	361	267,832

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 substantial shareholder as at 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

3 Financial risk management *(continued)*

3.2 Capital management *(continued)*

The gearing ratios were as follows:

	2020 RMB'000	2019 RMB'000
Total debts	**262,018**	223,746
Total equity	**1,016,485**	894,102
Gearing ratio	**25.8%**	25.0%

The increase in the gearing ratio during 2020 was resulted primarily from the fund raised from amount due to substantial shareholder.

3.3 Fair value estimation

(a) Financial assets and liabilities

Financial instruments that are measured in the consolidated statement of financial position at fair value are disclosed by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 3	
Liability	**2020**	**2019**
Contingent consideration payable	**20,207**	13,925

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The detail on fair value measurement of the contingent consideration payable was set out in Note 33.

The fair values of the Group's trade and other receivables, restricted cash, cash and cash equivalents, trade, bills and other payables, amount due to a substantial shareholder, amount due to a non-controlling interest to a subsidiary and bank and other borrowings approximate their fair values due to their short maturities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

(b) Non-financial assets and liabilities

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

Valuation process and technique used to determine level 3 fair values

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

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

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) Valuation of investment properties

The fair value of each investment property is individually determined at each balance sheet date by independent valuers on a market value assessment. The fair value is based on the direct comparison method with reference to current sale prices in an active market for properties of similar nature, condition or location. In the absence of such information, the valuer determines the amount within a range of reasonable fair value estimates. In making its judgement, the valuer considers information from a variety of sources including current sale prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences.

Judgement is required to determine the principal valuation assumptions to determine the fair value of the investment properties.

At 31 December 2020, if the market value of investment properties had been 10% higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been RMB3 million higher/lower and the Group's profit before tax would have been increased/decreased by RMB3 million.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4 Critical accounting estimates and judgements *(continued)*

(b) 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. 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.

(c) Fair value of contingent consideration payable

The fair value of contingent consideration payable was determined by using valuation techniques as the date of acquisition and the end of each financial reporting period. The Group uses its judgement to select a variety of methods and make assumptions, including post-acquisition performance of the acquired businesses and fair value of the Company's shares, which are mainly based on market conditions existing at the end of each reporting period. Changes in assumption used could materially affect the fair value of these balances and as a result affect the Group's financial condition and results of operation.

(d) Impairment of trade receivables

The Group makes provision for expected credit losses of trade receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for expected credit losses in the period in which such estimate has been changed.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(b).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5 Segment information *(continued)*

The Company is domiciled in the British Virgin Islands while the Group operates its business in the PRC. For the year ended 31 December 2020, the Group's revenue of RMB794,348,000 (2019: RMB1,019,913,000) was generated from domestic and overseas customer based in the PRC and paid in RMB, and the Group's revenue of RMB55,902,000 (2019: RMB42,854,000) was generated from direct overseas customers paid in foreign currencies. Substantially 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

No single customer contributed over 10% of the Group's total revenue for the year ended 31 December 2020 and 2019.

6 Revenue, other income and other losses, net

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

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Revenue recognised at point in time		
Domestic sales	**794,348**	1,019,913
Direct overseas sales	**55,902**	42,854
Total sale of goods	**850,250**	1,062,767
Other income		
Government subsidies	**1,886**	4,061
Rental income	**729**	657
Sundry income	**30**	35
Total other income	**2,645**	4,753
Other losses, net		
Fair value losses on investment properties	**(342)**	(4,164)
Fair value change of the contingent consideration payables	**(6,282)**	1,625
Total other losses, net	**(6,624)**	(2,539)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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	
	2020	**2019**
	RMB'000	**RMB'000**
Auditors' remuneration		
– Audit services	**2,550**	2,561
– Non-audit service	**288**	394
Cost of inventories sold	**569,098**	708,973
Depreciation of property, plant and equipment *(Note 14)*	**23,048**	19,463
Depreciation of right-of-use assets *(Note 13)*	**2,441**	1,861
Advertisement and promotion expenses	**4,019**	5,076
Employee benefit expenses (including directors' emoluments) *(Note 8)*	**52,302**	61,827
Legal and professional fees	**1,898**	1,728
Loss on disposals of property, plant and equipment *(Note 29(b))*	**40**	1,265
Lease expenses	**–**	336
Land taxes, surcharges and other taxes	**1,032**	1,096
Transportation expenses	**4,918**	5,996
Foreign exchange (gain)/loss	**(4,172)**	3,867
Net impairment losses on financial assets	**–**	691
Others	**12,713**	15,867
Total cost of sales, selling and distribution expenses and general and administrative expenses	**670,175**	831,001

8 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Wages and salaries	**47,610**	55,206
Discretionary bonuses	**2,626**	2,869
Social security costs for the PRC employees	**1,971**	3,659
Defined contribution for Hong Kong employees – MPF	**95**	93
	52,302	61,827

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

8 Employee benefit expenses (including directors' emoluments) *(continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 include two directors (2019: two) whose emoluments are reflected in the analysis shown in Note 35. The emoluments paid/payable to the remaining three (2019: three) individuals are as follows:

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Basic salaries, allowances and benefits in kind	**1,729**	1,624
Discretionary bonuses	**175**	17
Social security costs	**14**	22
Defined contribution – MPF	**32**	32
	1,950	1,695

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	
	2020	**2019**
Emolument bands (in HK$)		
Nil to HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**1**	1

9 Finance income/(costs) – net

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Finance income		
– Interest income on short-term bank deposits	**15,611**	4,185
Finance costs		
– Interest expenses on other borrowings	**(1,370)**	(4,972)
– Interest expenses on bank borrowings	**(8,374)**	(8,166)
– Interest expenses on lease liabilities	**(2)**	(6)
– Less: amount capitalised on qualifying assets *(Note)*	**1,126**	–
	(8,620)	(13,144)
Finance income/(costs) – net	**6,991**	(8,959)

Note:

For the year ended 31 December 2019, the Group has no qualifying assets qualified for capitalising borrowing cost.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

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 2020 and 2019 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 2020 and 2019, 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. Shandong Tiantong Food Co., Ltd., a subsidiary has been approved as High and New Technology Enterprise, and accordingly, it was subject to a preferential corporate income tax rate of 15% for the year ended 31 December 2020.

PRC withholding tax

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% (2019: 10%). The Group is therefore liable for withholding taxes on any dividends distributable by its subsidiaries established in the PRC.

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

At 31 December 2020, deferred tax liabilities related to the undistributed profit of the Group's subsidiaries in the PRC amounted to RMB4,590,000 (2019: RMB3,067,000) has been recognised in the consolidated statement of financial position.

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

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Current income tax:		
PRC corporate income tax	**32,429**	54,465
Withholding tax relating to PRC subsidiaries:		
Provision for the year *(Note 28)*	**1,523**	1,495

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10 Income tax expense *(continued)*

PRC withholding tax *(continued)*

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

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Profit before income tax	**183,087**	225,021
Tax calculated at domestic tax rates applicable to profits in the respective countries	**30,385**	56,255
Effect of different taxation rates in other countries	**(233)**	1,216
Income not subject to tax	**(3,415)**	(8,438)
Expenses not deductible for tax purposes	**5,672**	4,749
Withholding tax relating to PRC subsidiaries	**1,523**	1,495
Tax losses not recognised	**218**	1,176
Utilisation of tax losses previously not recognised	**(198)**	(493)
	33,952	55,960

11 Earnings per share

(a) Basic

	Year ended 31 December	
	2020	**2019**
Profit attributable to equity holders of the Company (RMB$'000)	**149,253**	169,090
Weighted average number of ordinary shares in issue (thousand)	**977,462**	977,462
Weighted average number of issuable shares (thousand)	**9,686**	7,919
Less: weighted average of shares held under share award scheme (thousand)	**(2,216)**	(2,167)
	984,932	983,214
Basic earnings per share (RMB dollar)	**0.151**	0.172

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares after adjusting for weighted average number of issuable shares of which conditions are satisfied under the contingent consideration scheme arrangement and weighted average shares held under shares award.

(b) Diluted

The calculation of diluted earnings per share for the year is based on the following:

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Adjusted profit attributable to shareholders of the Company for calculation diluted earnings per share	**149,253**	169,090

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11 Earnings per share *(continued)*

(b) Diluted *(continued)*

	Number of shares	
	2020	**2019**
Weighted average number of ordinary shares in issue (thousand)	**977,462**	977,462
Total number of issuable share	**9,686**	7,919
Effect of dilutive potential shares:		
Share options of the Company assumed to be exercised (thousand)	**19**	511
Less: weighted average of shares held under share award scheme (thousand)	**(2,216)**	(2,167)
Weighted average number of shares for calculation of diluted earnings per share (thousand)	**984,951**	983,725
Diluted earnings per share (RMB dollar)	**0.151**	0.171

Diluted earnings per share is calculated by adjusting the profit attributable to equity holders and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the year ended 31 December 2020, the Group has share options which may result in dilutive potential ordinary shares. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration.

Diluted earnings per share did not assume the impact of issuable shares under the contingent consideration scheme arrangement as it has an anti-dilutive effect.

12 Dividends

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Final dividend paid during the year:		
2019 final dividend of HK$ 0.030 per ordinary share (2018: HK$ 0.027 per ordinary share)	**26,752**	23,189
Interim dividend paid during the year:		
2020: nil (2019: HK$ 0.018 per ordinary share)	**–**	15,757
Final dividend declared after the year end:		
2020: nil (2019: HK$ 0.030 per ordinary share)	**–**	26,333

The Board has resolved not to declare any final dividend for the year ended 31 December 2020.

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For the year ended 31 December 2020

13 Leases

This note provides information for leases where the Group is a lessee.

The Group obtains rights to control the use of office premise for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms with 2 years.

The Group also obtained land use rights through lease contracts with local government authorities with lease periods ranging from 41 to 50 years. The lease arrangements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

(a) Right-of-use assets

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Leasehold land and land use rights	**78,292**	80,317
Office premises	**346**	762
	78,638	81,079

Interest expenses on lease liabilities of RMB2,000 (2019: RMB6,000) have been included in "finance cost" for the year ended 31 December 2020.

Depreciation of right-of-use assets of RMB2,025,000 (2019: RMB1,502,000) have been included in 'cost of sales' and RMB416,000 (2019: RMB359,000) have been charged in 'general and administrative expenses' for the year ended 31 December 2020.

As at 31 December 2020, right-of-use assets amounted to RMB78,292,000 (2019: RMB64,803,000) have been pledged to secure bank borrowings granted to the Group (Note 27).

(b) Lease liabilities

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Amount due for settlement within 12 months (shown under current liabilities)	**355**	410
Amount due for settlement after 12 months	**–**	355
	355	765

(c) Short-term leases and not yet commenced lease

As at 31 December 2020 and 2019, there is no future lease payments for short-term leases.

As at 31 December 2020 and 2019, no lease is committed but not yet commenced.

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14 Property, plant and equipment

	Buildings 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 2019								
Cost	158,229	79,545	404	73,338	5,335	6,507	3,206	326,564
Accumulated depreciation	(12,900)	(19,855)	(179)	(25,133)	(2,273)	(4,057)	–	(64,397)
Net book amount	145,329	59,690	225	48,205	3,062	2,450	3,206	262,167
Year ended 31 December 2019								
Opening net book amount	145,329	59,690	225	48,205	3,062	2,450	3,206	262,167
Additions	17,288	11,731	81	7,381	44	1,136	7,721	45,382
Transfer	(364)	3,206	–	–	–	–	(3,206)	(364)
Disposals *(Note 29(b))*	–	–	(2)	(1,252)	(20)	(13)	–	(1,287)
Depreciation *(Note 7)*	(7,527)	(3,786)	(52)	(6,731)	(455)	(912)	–	(19,463)
Closing net book amount	154,726	70,841	252	47,603	2,631	2,661	7,721	286,435
At 31 December 2019								
Cost	175,107	94,482	483	79,278	5,356	7,623	7,721	370,050
Accumulated depreciation	(20,381)	(23,641)	(231)	(31,675)	(2,725)	(4,962)	–	(83,615)
Net book amount	154,726	70,841	252	47,603	2,631	2,661	7,721	286,435
Year ended 31 December 2020								
Opening net book amount	154,726	70,841	252	47,603	2,631	2,661	7,721	286,435
Additions	320	48,413	–	8,768	–	1,674	62,279	121,454
Transfer	(342)	6,124	–	801	–	–	(6,925)	(342)
Disposals *(Note 29(b))*	–	–	–	(52)	–	–	–	(52)
Depreciation *(Note 7)*	(8,345)	(5,897)	(59)	(6,881)	(431)	(1,435)	–	(23,048)
Closing net book amount	146,359	119,481	193	50,239	2,200	2,900	63,075	384,447
At 31 December 2020								
Cost	175,085	149,019	483	88,795	5,356	9,297	63,075	491,110
Accumulated depreciation	(28,726)	(29,538)	(290)	(38,556)	(3,156)	(6,397)	–	(106,663)
Net book amount	146,359	119,481	193	50,239	2,200	2,900	63,075	384,447

Depreciation of RMB11,288,000 (2019: RMB11,040,000) has been charged in 'cost of sales' and RMB11,740,000 (2019: RMB8,423,000) has been charged in 'general and administrative expenses' for the year ended 31 December 2020, respectively.

As at 31 December 2020, the net book value of buildings of RMB69,209,000 (2019: RMB73,159,000) was pledged to banks for securing the Group's general banking facilities (Note 27).

Construction in progress as at 31 December 2020 mainly comprises plants and production lines being constructing in the PRC (2019: same).

During the year ended 31 December 2020, borrowing cost of RMB1,126,000 were capitalised on qualifying assets at the weighted average rate of its general borrowings at 4.9% per annum. For the year ended 31 December 2019, the Group has no qualifying assets qualified for capitalising borrowing costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

15 Investment properties

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Opening balance at 1 January	**30,300**	34,100
Transfer from property, plant and equipment	**342**	364
Fair value change	**(342)**	(4,164)
	30,300	30,300

Amounts recognised in profit or loss for investment properties	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Rental income	**729**	657
Fair value loss recognised	**(342)**	(4,164)

Principal investment properties

Location	Approximate gross floor area (square meter)	Category of the lease term
Northside of Fenghuang Main Street, Westside of Wenquan Road, Linyi City, Shandong Province, the PRC	5,917m^2 (2019: 5,825m^2)	Land use rights for a term to expire 18 April 2057

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

Information about fair value measurements using significant unobservable inputs

	Valuation techniques	Unobservable inputs	Range of Unobservable inputs As at 31 December 2020	Range of Unobservable inputs As at 31 December 2019
Retail-Ground floor	Direct comparison	Adjusted market price (RMB/square meter)	5,000-6,470	5,000-6,500
Retail-others	Direct comparison	Adjusted market price (RMB/square meter)	3,500-4,700	3,500-5,000

Notes to the Consolidated Financial Statements

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16 Subsidiaries

The following is a list of the principal subsidiaries as at 31 December 2020:

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 of processed fruit products 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.) *(Note)*	The PRC, limited liability company	Manufacturing and trading of food machinery in the PRC	Registered and paid-in capital of USD39,500,000	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 fruit products and trading of fresh fruits in the PRC	Registered and paid-in capital of RMB180,000,000	100%
天同食品(宜昌)有限公司 (Tiantong Food (Yichang) Ltd.) *(Note)*	The PRC, limited liability company	Manufacturing and sales of processed fruit products and trading of fresh fruits in the PRC	Registered capital of RMB100,000,000	100%
天韵食品(四川)有限公司 (Tianyun Food (Sichuan) Ltd.)	The PRC, limited liability company	Manufacturing and sales of food in the PRC	Registered capital of RMB200,000,000	70%
天同食品飲料(遠安)有限公司 (Tiantong food and beverage (Yuan'an) Co., Ltd.)	The PRC, Limited liability company	Manufacturing and sales of energy drink in the PRC	Registered capital of RMB50,000,000	100%

Note: Registered as wholly foreign owned enterprise under the PRC law.

Notes to the Consolidated Financial Statements

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17 Inventories

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Raw materials	**6,360**	8,358
Work in progress	**12,157**	19,713
Finished goods	**68,452**	73,880
	86,969	101,951

The cost of inventories sold recognised as expense and included in 'cost of sales' amounted to RMB569,098,000 (2019: RMB708,973,000) for the year ended 31 December 2020.

18 Financial instruments by category

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Assets as per consolidated statement of financial position		
– Trade receivables	**173,297**	181,306
– Other receivables (excluding prepayments)	**3,137**	2,359
– Restricted cash	**5,000**	1,407
– Cash and cash equivalents	**528,287**	471,992
Liabilities as per consolidated statement of financial position		
– Trade and bills payables	**19,776**	29,066
– Other payables	**10,821**	7,732
– Amount due to substantial shareholder	**81,630**	20,301
– Amount due to the non-controlling interest	**–**	103
– Bank and other borrowings	**180,388**	203,445
– Lease liabilities	**355**	765

19 Trade and other receivables

		As at 31 December	
		2020	**2019**
		RMB'000	**RMB'000**
Trade receivables		**173,988**	181,997
Less: loss allowance of trade receivables	*(b)*	**(691)**	(691)
Trade receivables, net	*(a)*	**173,297**	181,306
Prepayments	*(c)*	**73,049**	33,918
Other receivables	*(c)*	**3,137**	2,359
		249,483	217,583
Less: non-current portion:			
Prepayments for property, plant and equipment		**(31,419)**	(30,000)
Current portion		**218,064**	187,583

Notes to the Consolidated Financial Statements

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19 Trade and other receivables *(continued)*

(a) Trade receivables

The Group's credit terms granted to wholesale customers generally ranged from 30 to 60 days (2019: 30 to 60 days).

The ageing analysis of the trade receivables, net of loss allowance based on invoice date is as follows:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Less than 30 days	**97,749**	111,472
31 to 60 days	**75,378**	69,805
61 to 90 days	**170**	29
	173,297	181,306

As at 31 December 2020, trade receivables of RMB170,000 were past due but not yet impaired (2019: RMB29,000). 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.

The ageing analysis of these trade receivables, net of loss allowance based on due date is as follows:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Overdue		
Less than 30 days	**170**	29

The trade receivables are denominated in the following currencies:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
RMB	**168,216**	179,894
USD	**5,081**	1,412
	173,297	181,306

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

(b) Impairment of trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables. The Group also continuously monitors the credit risks by assessing the credit quality of respective counterparties, taking into account its financial position, past experience and other factors. When necessary, the Group will make specific provision for those balances which cannot be recovered apart from the general provision arise from the expected credit loss model. Note 3.1(b) provides for details about the calculation of these loss allowance.

The loss allowance for impaired trade receivables had been charged within operating profit in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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19 Trade and other receivables *(continued)*

(c) Prepayments and other receivables

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

20 Cash and cash equivalents and restricted cash

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Cash at bank	**528,136**	471,897
Cash on hand	**151**	95
Restricted cash	**5,000**	1,407
	533,287	473,399

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

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
RMB	**532,564**	469,732
HK$	**718**	3,361
USD	**5**	306
	533,287	473,399

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.

As of 31 December 2020, RMB5,000,000 (2019: RMB1,407,000) restricted cash were held by bank for bills payable with original maturity of more than three months when acquired.

21 Share capital

Authorised ordinary shares

Under the BVI Companies Act, there is no concept of authorised capital. The Company is authorised to issue an unlimited number of shares and the shares do not have any par value.

Notes to the Consolidated Financial Statements

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21 Share capital *(continued)*

Issued and fully paid ordinary shares

	Number of ordinary shares	Share capital HK$'000	Equivalent share capital RMB'000
As at 1 January 2018	977,462,000	292,211	232,459
Final dividends paid relating to 2017 *(Note a)*	–	(12,643)	(10,326)
Interim dividends paid relating to 2018 *(Note a)*	–	(16,617)	(14,750)
As at 31 December 2018 and 1 January 2019	977,462,000	262,951	207,383
Final dividends paid relating to 2018 *(Note a)*	–	(26,391)	(23,189)
Interim dividends paid relating to 2019 *(Note a)*	–	(17,554)	(15,757)
As at 31 December 2019 and 1 January 2020	977,462,000	219,006	168,437
Final dividends paid relating to 2019 *(Note a)*	–	(29,324)	(26,752)
As at 31 December 2020	977,462,000	189,682	141,685

Note:

(a) Distribution of share capital as dividends

During the year ended 31 December 2020, the Company has paid dividends declared in 2019 amounted RMB26,752,000 (2019: relating to 2018 and 2019 amounted RMB23,189,000 and RMB15,757,000 respectively). Share capital amounted to RMB26,752,000 (2019: RMB38,946,000) was distributed as dividends.

22 Reserves

	Share held under share award scheme RMB'000	Merger reserve RMB'000	Revaluation reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000 *(Note)*	Total Reserves RMB'000
Balance at 1 January 2019	–	(3,100)	303	2,382	559,099	558,684
Profit for the year	–	–	–	–	169,090	169,090
Acquisition of shares held under share award scheme	(2,080)	–	–	–	–	(2,080)
Release of reserve upon share options lapsed	–	–	–	(1,067)	1,067	–
Balance at 31 December 2019	(2,080)	(3,100)	303	1,315	729,256	725,694

	Share held under share award scheme RMB'000	Merger reserve RMB'000	Revaluation reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000 *(Note)*	Total Reserves RMB'000
Balance at 1 January 2020	(2,080)	(3,100)	303	1,315	729,256	725,694
Profit for the year	–	–	–	–	149,253	149,253
Release of reserve upon share options lapsed	–	–	–	(940)	940	–
Balance at 31 December 2020	(2,080)	(3,100)	303	375	879,449	874,947

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22 Reserves *(continued)*

Note:

Retained earnings as of year end include the statutory surplus reserve of the PRC subsidiaries amounting to RMB88,111,000 (2019: RMB72,661,000).

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.

23 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.

No share option granted was exercised during the years ended 31 December 2020 and 2019.

(a) The following table discloses details of the Company's share options held by employees and movements in such holdings for the year ended 31 December 2020:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 January 2020 (thousands)	Lapsed during the year (thousands)	Outstanding at 31 December 2020 (thousands)
6 October 2015	1.7	6 October 2015 – 31 December 2017	1 January 2018 – 31 December 2020	1,500	(1,500)	–
21 April 2016	0.97	21 April 2016 – 31 December 2017	1 January 2018 – 31 December 2020	1,925	(1,925)	–
21 April 2016	0.97	21 April 2016 – 31 December 2018	1 January 2019 – 31 December 2021	1,925	–	1,925
				5,350	(3,425)	1,925

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23 Share-based payment *(continued)*

(b) The following table discloses details of the Company's share options held by employees and movements in such holdings for the year ended 31 December 2019:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 January 2020 (thousands)	Lapsed during the year (thousands)	Outstanding at 31 December 2020 (thousands)
6 October 2015	1.7	6 October 2015 – 31 December 2016	1 January 2017 – 31 December 2019	1,500	(1,500)	–
6 October 2015	1.7	6 October 2015 – 31 December 2017	1 January 2018 – 31 December 2020	1,500	–	1,500
21 April 2016	0.97	21 April 2016 – 31 December 2016	1 January 2017 – 31 December 2019	3,850	(3,850)	–
21 April 2016	0.97	21 April 2016 – 31 December 2017	1 January 2018 – 31 December 2020	1,925	–	1,925
21 April 2016	0.97	21 April 2016 – 31 December 2018	1 January 2019 – 31 December 2021	1,925	–	1,925
				10,700	(5,350)	5,350

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

	2020		2019	
	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	**1.17**	**5,350**	1.18	10,700
Granted	**–**	**–**	–	–
Lapsed	**1.29**	**(3,425)**	1.17	(5,350)
At 31 December	**0.97**	**1,925**	1.17	5,350

The fair values were calculated using the Binomial Option Pricing model at the date of grant.

For the year ended 31 December 2020, there was no expenses for share options granted to employees (2019: no expenses for share options granted to employees).

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24 Share award scheme

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

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

The trustee started to acquire the Company's shares during the year ended 31 December 2019. There was no awarded shares granted, forfeited or vested for the year ended 31 December 2020.

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

	Number of shares '000	Amount paid RMB'000
At 1 January 2020	2,216	2,080
Purchase during the year	–	–
Shares vested during the year	–	–
At 31 December 2020	**2,216**	**2,080**

The Group acquired 2,216,000 of its own shares through the trustee of the Share Award Scheme from open market from 3 January 2019 to 25 January 2019 at the average price of HK$1.13. The total amount paid to acquire the shares was HK$2,499,000 (equivalent to RMB2,080,000) and the balance was classified as "Shares held under share award scheme" in the reserve as at 31 December 2020.

25 Trade and bills payables

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade and bills payables	**19,776**	29,066

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Less than 30 days	**19,245**	21,592
31 to 90 days	**253**	3,103
91 to 180 days	**23**	2,291
181 to 365 days	**99**	271
Over 365 days	**156**	1,809
	19,776	29,066

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

26 Accruals and other payables

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Accrued employee benefit expenses	**12,075**	10,095
Land taxes, surcharges and other taxes payables	**5,674**	4,772
Other payables for purchases of property, plant and equipment	**2,721**	625
Others	**8,100**	7,107
	28,570	22,599

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

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
RMB	**27,155**	20,846
HK$	**1,415**	1,753
	28,570	22,599

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

27 Bank and other borrowings

	As at 31 December 2020			As at 31 December 2019		
	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 borrowings	**180,388**	**–**	**180,388**	176,571	–	176,571
Other loan	**–**	**–**	**–**	26,874	–	26,874
	180,388	**–**	**180,388**	203,445	–	203,445

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

	2020			2019		
	Bank borrowings RMB'000	**Other loan RMB'000**	**Total RMB'000**	**Bank borrowings RMB'000**	**Other loan RMB'000**	**Total RMB'000**
Within 1 year	**180,388**	**–**	**180,388**	176,571	26,874	203,445

(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 4.9% per annum during the year (2019: 5.19% per annum).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

28 Deferred tax liabilities

	Withholding income tax on profit to be distributed in future	
	2020	2019
	RMB'000	RMB'000
As at 1 January	**3,067**	1,572
Charged to profit or loss	**1,523**	1,495
As at 31 December	**4,590**	3,067

The carrying amounts of deferred tax liabilities are to be utilised after 12 months.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB2,665,000 (2019: RMB2,771,000) in respect of losses amounting to approximately RMB16,913,000 (2019: RMB16,792,000) that can be carried forward against future taxable income. Such tax losses have no expiry date.

29 Notes to the consolidated statement of cash flows

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**183,087**	225,021
Adjustments for:		
Interest income *(Note 9)*	**(15,611)**	(4,185)
Interest expenses *(Note 9)*	**8,620**	13,144
Loss on disposals of property, plant and equipment *(Note 7)*	**40**	1,265
Depreciation of property, plant and equipment *(Note 7)*	**23,048**	19,463
Depreciation of right-of-use assets *(Note 7)*	**2,441**	1,861
Fair value change on investment properties *(Note 6)*	**342**	4,164
Fair value change of the contingent consideration payables	**6,282**	(1,625)
Provision for impairment of trade receivables	**–**	691
	208,249	259,799
Changes in working capital:		
Increase in restricted cash	**(3,593)**	(1,407)
Decrease/(increase) in inventories	**14,982**	(11,701)
Decrease/(increase) in trade receivables	**8,009**	(71,941)
(Increase)/decrease in prepayments and other receivables	**(38,490)**	39,169
(Decrease)/increase in trade and bills payables	**(9,290)**	2,115
Increase in accruals and other payables	**3,250**	3,436
(Decrease)/increase in amount due to the non-controlling interest	**(103)**	103
Cash generated from operations	**183,014**	219,573

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

29 Notes to the consolidated statement of cash flows *(continued)*

(b) Reconciliation from loss on disposals of property, plant and equipment

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Net book amounts	**52**	1,287
Net loss on disposals of property, plant and equipment	**(40)**	(1,265)
Proceeds from disposals of property, plant and equipment	**12**	22

(c) Net debt reconciliation

	Bank borrowing payable after one year RMB'000	Amount due to a substantial shareholder RMB'000	Bank and other borrowing payable within one year RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020	**–**	**20,301**	**203,445**	**765**	**224,511**
Financing cash flows	**–**	**65,759**	**(22,234)**	**(410)**	**43,115**
Foreign exchange	**–**	**(4,430)**	**(823)**	**–**	**(5,253)**
	–	**81,630**	**180,388**	**355**	**262,373**

	Bank borrowing payable after one year RMB'000	Amount due to a substantial shareholder RMB'000	Bank and other borrowing payable within one year RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2019	–	88,826	157,769	–	246,595
Inception of leases	–	–	–	831	831
Financing cash flows	–	(70,039)	45,088	(66)	(25,017)
Foreign exchange	–	1,514	588	–	2,102
	–	20,301	203,445	765	224,511

30 Contingencies

The Group did not have any material contingent liabilities as at 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

31 Commitments

(i) Operating lease commitments

(a) As lessor

The Group leases its investment properties (Note 15) under operating lease arrangements with leases generally negotiated for terms ranging from half to one years. The terms of the leases generally also require the tenants to pay security deposits and may provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2020, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Not later than 1 year	**188**	101
Later than 1 year and no later than 5 years	**–**	–
	188	101

(b) As lessee

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 13(b) for further information.

(ii) Capital commitments

Capital expenditure contracted for but not yet incurred and provided for as of 31 December 2020 amounted to RMB56,861,000 (2019: RMB49,255,000).

32 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.

(a) The directors are of the view that the following companies were related parties that had balances with the Group during the years ended 31 December 2020 and 2019:

Name of the related parties	Principal business activities	Relationship with the Group
Wealthy Active Limited	Investment holding in British Virgin Islands	Substantial Shareholder
Sichuan Yizhan Industrial Co., Ltd. ("四川怡展實業有限公司")	Manufacturing and trading business in PRC	Non-controlling interest of a subsidiary

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

32 Related party balances and transactions *(continued)*

(b) Balance and transactions with related parties

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

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Amount due to a substantial shareholder		
– Wealthy Active Limited	**81,630**	20,301
Amount due to the non-controlling interest		
– Sichuan Yizhan Industrial Co., Ltd.	**–**	103

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

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Interest paid to a substantial shareholder		
– Wealthy Active Limited	**345**	3,758

As at 31 December 2020, amount due to a substantial shareholder was unsecured, with interest at Hong Kong Interbank Offered Rate (2019: with interest at Hong Kong Interbank Offered Rate) and repayable on demand (2019: repayable on demand). The carrying amount of amount due to a substantial shareholder approximated its fair value and is denominated in HKD.

As at 31 December 2020, amount due to the non-controlling interest was unsecured, interest-free and repayable on demand. The carrying amount of amount due to a substantial shareholder approximated its fair value and is denominated in RMB.

(c) 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	
	2020	**2019**
	RMB'000	**RMB'000**
Basic salaries, allowances and benefits in kind	**5,096**	4,620
Social security costs	**60**	67
Defined contribution – MPF	**32**	32
	5,188	4,719

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

33 Contingent consideration payable

The balance represented part of the consideration in relation to the acquisition of Strong Won Investment Limited ("Strong Won") and its subsidiaries (together "Strong Won Group") in 2018. According to the sales and purchases agreement, other than the cash settlement of HK$33.0 million (approximately RMB27.4 million), a maximum of HK$22.0 million (approximately RMB17.8 million) of the consideration to be settled by way of allotment and issue at maximum of 17,188,000 new shares (the "Consideration Shares") at the consideration of HK$1.28 per share.

The actual number of Consideration Shares to be issued is subject to the production volume and revenue of Strong Won Group in the three years after the acquisition.

The movement of the consideration payable is summarised as follows.

	RMB'000
Contingent consideration payable	
At 31 December 2018 and 1 January 2019	15,550
Fair value gain on contingent consideration payable *(Note a)*	(1,625)
At 31 December 2019 and 1 January 2020	13,925
Fair value loss on contingent consideration payable (Note a)	6,282
At 31 December 2020	20,207
Represented by:	
Current portion	20,207

Note a:

The fair value of the contingent consideration arrangement as at 31 December 2020 amounted RMB20,207,000 (2019: RMB13,925,000), has been estimated by calculating the expected production volume and revenue of Strong Won Group. Contingent consideration payable at maximum of 17,188,000 new Shares are subject to the aggregate amount of production volume of the Strong Won Group and the total amount of revenue from its principal business during the period of three years commencing from the Completion Date.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

34 Statement of financial position and reserve movement of the Company

Statement of financial position of the Company

		As at 31 December	
		2020	**2019**
		RMB'000	**RMB'000**
ASSETS			
Non-current assets			
Investment in a subsidiary		**–**	–
Amount due from a subsidiary		**159,204**	220,703
		159,204	220,703
Current assets			
Cash and cash equivalents		**77**	687
		77	687
Total assets		**159,281**	221,390
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**141,685**	168,437
Reserves	*Note (a)*	**(12,242)**	(9,752)
Total equity		**129,443**	158,685
LIABILITIES			
Current liabilities			
Bank and other borrowings		**29,838**	62,705
Total current liabilities		**29,838**	62,705
Total equity and liabilities		**159,281**	221,390

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2021 and was signed on its behalf.

Mr. Yang Ziyuan
Director

Mr. Sun Xingyu
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

(a) Reserve movement of the Company

	Share option reserve RMB'000	Share held under share award scheme RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2019	2,382	–	1,327	3,709
Loss for the year	–	–	(11,381)	(11,381)
Acquisition of shares held under share	–	(2,080)	–	(2,080)
Release of reserve upon share options lapsed	(1,067)	–	1,067	–
At 31 December 2019	1,315	(2,080)	(8,987)	(9,752)
At 1 January 2020	**1,315**	**(2,080)**	**(8,987)**	**(9,752)**
Loss for the year	**–**	**–**	**(2,490)**	**(2,490)**
Release of reserve upon share options lapsed	**(940)**	**–**	**940**	**–**
At 31 December 2020	**375**	**(2,080)**	**(10,537)**	**(12,242)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

35 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

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

For the year ended 31 December 2020:

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	128	1,755	18	–	–	28	–	–	1,929
Mr. Sun Xingyu	128	124	17	–	–	9	–	–	278
Mr. Wang Hu (resigned on 4 March 2021)	–	–	–	–	–	–	–	–	–
Non-executive directors									
Ms. Chu Yinghong	128	–	–	–	–	–	–	–	128
Mr. Wong Yim Pan	128	–	–	–	–	–	–	–	128
Mr. Liu Zhumeng (resigned on 4 March 2021)	–	–	–	–	–	–	–	–	–
Independent and non-executive directors									
Mr. Liang Zhongkang	128	–	–	–	–	–	–	–	128
Prof. Lu Yuanping	128	–	–	–	–	–	–	–	128
Mr. O'Yang Wiley	128	–	–	–	–	–	–	–	128

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

35 Benefits and interests of directors *(continued)*

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

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

For the year ended 31 December 2019:

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	126	1,738	18	–	–	41	–	–	1,923
Mr. Sun Xingyu	126	127	17	–	–	21	–	–	291
Mr. Wang Hu	–	–	–	–	–	–	–	–	–
Non-executive directors									
Ms. Chu Yinghong	126	–	–	–	–	–	–	–	126
Mr. Wong Yim Pan	126	–	–	–	–	–	–	–	126
Mr. Liu Zhumeng	–	–	–	–	–	–	–	–	–
Independent and non-executive directors									
Mr. Liang Zhongkang	126	–	–	–	–	–	–	–	126
Prof. Lu Yuanping (appointed on 27 June 2019)	65	–	–	–	–	–	–	–	65
Mr. Tsang Yuen Wai (resigned on 11 November 2019)	105	–	–	–	–	–	–	–	105
Ms. Hui Yung Yung (resigned on 27 June 2019)	63	–	–	–	–	–	–	–	63
Mr. O'Yang Wiley (appointed on 11 November 2019)	18	–	–	–	–	–	–	–	18

There was no arrangement during the years ended 31 December 2020 and 2019 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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

35 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 (2019: nil)

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2019: 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 (2019: 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 (2019: nil).

36 Subsequent event

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

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				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	**850,250**	1,062,767	940,507	745,541	653,474
Profit before tax	**183,087**	225,021	200,380	160,539	166,358
Income tax expense	**(33,952)**	(55,960)	(52,853)	(37,258)	(37,582)
Profit for the year	**149,135**	169,061	147,527	123,281	128,776

ASSETS AND LIABILITIES

	As at 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Assets					
Non-current assets	**525,908**	428,918	419,552	345,525	321,388
Current assets	**838,320**	762,933	670,270	492,635	374,310
Total assets	**1,364,228**	1,191,851	1,089,822	838,160	695,698
Equity and liabilities					
Total equity	**1,016,485**	894,102	766,067	653,912	566,160
Non-current liabilities	**4,590**	10,384	43,085	–	13,677
Current liabilities	**343,153**	287,365	280,670	184,248	115,861
Total liabilities	**347,743**	297,749	323,755	184,248	129,538
Total equity and liabilities	**1,364,228**	1,191,851	1,089,822	838,160	695,698

Corporate Information

Board of Directors

Executive Directors

Mr. Yang Ziyuan *(Chairman and Chief Executive Officer)*
Mr. Sun Xingyu
Mr. Wang Hu (resigned on 4th March 2021)

Non-executive Directors

Ms. Chu Yinghong
Mr. Wong Yim Pan
Mr. Liu Zhumeng (resigned on 4th March 2021)

Independent Non-executive Directors

Mr. Liang Zhongkang
Prof. Lu Yuanping
Mr. O'Yang Wiley

Audit Committee

Mr. O'Yang Wiley *(Chairman)*
Mr. Liang Zhongkang
Prof. Lu Yuanping

Nomination Committee

Mr. Yang Ziyuan *(Chairman)*
Mr. Wang Hu (resigned on 4th March 2021)
Mr. Liang Zhongkang
Prof. Lu Yuanping
Mr. O'Yang Wiley

Remuneration Committee

Mr. Liang Zhongkang *(Chairman)*
Mr. Yang Ziyuan
Prof. Lu Yuanping
Mr. O'Yang Wiley

Strategic Development Committee

Mr. Yang Ziyuan *(Chairman)*
Mr. Sun Xingyu
Ms. Chu Yinghong
Mr. Wong Yim Pan
Mr. Liang Zhongkang
Mr. Liu Zhumeng (resigned on 4th March 2021)
Mr. Ho Ho Tung Armen

Company Secretary

Mr. Ho Ho Tung Armen

Authorised Representatives

Mr. Sun Xingyu
Mr. Ho Ho Tung Armen

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Branch Share Registrar and Transfer Office Hong Kong

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Legal Adviser as to PRC Law

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Principal Bankers

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The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Bank of China Limited
Agricultural Bank of China Limited
Linshang Bank Co., Limited
Hubei Dangyang Rural Commercial Bank Limited
Wuhan Rural Commercial Bank Co., Limited

Auditor

PricewaterhouseCoopers
Certified Public Accountants
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