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

(Incorporated in the British Virgin Islands with limited liability)
Stock Code: **6836.HK**

ANNUAL REPORT 2021

more FRESH
and
HEALTHY choices

Contents

VITAMIN

of

PASSION & ENERGY


享派
享
SHIOK
净含量:250ml
享派 维生素运动饮料
芒果
CANNED YELLOW PEACH
果小懒
黄桃罐头
净含量:425g
固形物:不低于55%
雪梨

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 2021 (the "Year Under Review").

Despite the challenge of complex domestic and overseas environments and the pandemic outbreak in China, the Chinese economy maintained its steady recovery in 2021, recording an annual growth of 8.1% in the first year of China's 14th Five-Year Plan, kicking off a good start as business activities slowly return to normal. According to data from the National Bureau of Statistics of China, consumption spending contributed to 65.4% of economic growth in 2021. A series of measures to stimulate consumption has revitalised the consumption market. In terms of foreign trade, China's exports grew by 21.2% (denominated in RMB) year-on-year, recording stable growth in import and export volume.

As pandemic control measures gradually normalise, the Group has proceeded with various production and business expansion projects as planned in 2021, making steady enhancements to our production capacity plan. Being a consumption goods enterprise, the Group is committed to research, development and innovation of new product varieties, actively launching new products to bring more diversity of products for our customers, in order to satisfy their desire for new tastes and demand for diversified fruit products and specialty beverages. At the same time, being a state-level high-tech enterprise, the Group has been actively improving our industrial technology in recent years, promoting a diverse range of products and flavours. During the Year Under Review, the Group's wholly-owned subsidiary, 山東天同食品(Shandong Tiantong Food), was awarded "'13-Five' Light Industry Technological Innovation Advanced Collective" honors, while the Group's deputy general manager in charge of technology research and development, was also awarded "'13-Five' Light Industry Technological Innovation Advanced Individual" honors as leader of enterprise technological R&D, demonstrating a high level of recognition for the Group's efforts in product innovation and technological empowerment.

The Group's own brands, including "繽果時代(Bingo Time)", "果小懶(fruit zz)", "天同時代(Tiantong Times)", "享派Shiok Party" and "妖果季" underwent comprehensive brand image enhancement during the Year Under Review, and made progress in areas such as product diversification, packaging diversification and deseasonalisation. To satisfy market demands, the Group launched a new packaging series of canned fruit products, canned assorted fruits and canned poached pears in brown syrup, featuring China chic zodiac characters, which were well-received among consumers. The "享派Shiok Party" vitamin sports beverage series, which can be consumed in a wide range of settings, has become popular in the market as the latest consumer's healthy and safe choice. The customised chunky fruit beverage "妖果季" has also become a top option in low-sugar healthy beverages among consumers across all age groups thanks to its healthy orientation and chunky bits of quality real fruits.

The COVID-19 pandemic has significantly changed the consumption patterns of the general public, with online shopping becoming the new normal. The Group became actively involved in sales on popular online shopping platforms and live streaming platforms. Market responses were positive, which is strategically significant to the Group's development of the online retail market.

Chairman's Statement

During the Year Under Review, the Group's OEM business continued to contribute stable revenue to the Group. We work closely with numerous international food brands, expanding our OEM business coverage by exploring more business opportunities in overseas markets such as Japan, United Kingdom, Canada, Europe, Australia and New Zealand. As one of the food enterprises with the most complete set of quality certifications, the Group was listed as a 2021 Top 100 China Food OEM Enterprise and was ranked the 21st at the national level, thanks to our overall strength and one-stop service offering. Such achievement reflects the massive potential of the Group's fruit processing business, demonstrating a high level of market recognition for the Group's product quality and service quality.

In terms of production capacity expansion, the gradual boost in new production capacity of the Group's Shandong and Yunnan production bases will contribute to the Group's development of temperate, subtropical and tropical processed fruit products, the production and sales of specialty beverages as well as trading of fresh fruits. It is expected that overall production capacity will be significantly enhanced, along with greater variety of processed fruits and fresh fruits and increased market coverage in China.

As for the Group's Yunnan production base project, we have completed the acquisition of industrial land located in Honghe Prefecture, Yunnan Province, the PRC. The land parcel with a site area of over 130,000 square metres is located in Mile Food Processing Park, and the Group plans to invest in the construction of an integrated production base ("Mile Tiantong") with total designed annual production capacity of 90,000 tonnes, comprising facilities such as a research centre, a processing centre, a sorting centre, a sales and trading centre, and a warehousing and logistics centre. Its business will principally be the production and sales of canned fruits and vegetables, beverages and jellies. It will also take advantage of its proximity to neighbouring countries to promote bidirectional flow of imports and exports.

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, business partners, customers and consumers for their trust in the midst of a difficult and challenging period for us. Notwithstanding that the findings of the independent forensic investigation report indicates that the issue in concern has not affected the Group's ordinary operations, and that all of the Group's businesses were operating as usual both before and after the investigation, it still reflects that the Group has room for improvement in terms of internal control. We have completed rectifications to our internal controls and strictly implemented relevant policies to enhance the Group's overall governance. The Group's management will continue to strengthen team cohesion and governance standards, deeply reflect on and further improve the Group's various internal control systems and risk management to prevent a repeat of similar incidents, and lead the Group in achieving our operational goals and sustainable development strategies.

Looking ahead, the Group will continue to optimise our production capacity configuration and sales network in order to accommodate the trend in innovative development of healthy, safe and delicious products in the food and beverage sector. In our drive for robust long-term development, we will continue to research, develop and release more new products to meet the demands of consumers; promote Group's strategy to develop the OEM and own brand business in parallel; explore strategic cooperation and new market opportunities, in order to drive long-term robust growth of the Group and secure greater returns for our shareholders.

Yang Ziyuan
Chairman and Chief Executive Officer

24 October 2022


SHIOK PARTY
享
享派维生素运动饮料


懒人罐头
果小懒


SHIOK
PARTY
P.E NATION
享
享派维生素运动饮料

Management Discussion and Analysis

THE BOARD'S RESPONSE TO THE DISCLAIMER OF OPINION

The View of the Board and the Audit Committee on the Disclaimer of Opinion

The Auditor expressed a disclaimer of opinion in the independent auditors' report on the 2021 Financial Statements (the "Independent Auditors' Report"). As stated in the "Basis for Disclaimer of Opinion" section in the Independent Auditors' Report, the basis for the Auditor to express a disclaimer of opinion was limitation of scope on (a) deconsolidation of subsidiaries; and (b) opening balances and corresponding figures. The Board and the audit committee of the Board (the "Audit Committee") have reviewed and agreed with the disclaimer of opinion on the Independent Auditors' Report (the "Audit Qualification").

Below sets out the view of the Board and the Audit Committee in relation to the Audit Qualification and the proposed plan to address the Audit Qualification.

(a) Deconsolidation of subsidiaries

Details of the basis of this Audit Qualification

Tiantong Yichang was acquired by the Group in January 2018 ("Acquisition") from a company wholly-owned by Mr. Li Jinrong ("Mr. Li"). Details of the Acquisition were disclosed in the Company's announcement dated 15 September 2017. Tiantong Yuanan was established by Tiantong Yichang as the latter's wholly-owned subsidiary subsequent to the Acquisition. Mr. Li had been the legal representative and general manager of Tiantong Yichang before and after the Acquisition.

The Loan Transfer was brought to the notice of the Board by PricewaterhouseCoopers ("PwC"), the former auditor of the Company, during the audit of the 2021 Financial Statements. Immediately after learning the audit issues raised by PwC, the Company has removed Mr. Li from management duties of Yichang Tiantong Group. The Company has on 7 April 2022 appointed Mr. Jiang Yubao ("Mr. Jiang") and Mr. Yu Haoran ("Mr. Yu") to replace Mr. Li as the legal representative, director and general manager of Tiantong Yichang and Tiantong Yuanan, respectively.

Despite repeated requests and demand by the Group, the finance staff of Yichang Tiantong Group refused to hand over the company chop and the finance chop of Yichang Tiantong Group to Mr. Jiang and Mr. Yu, respectively. In addition, the staff of Yichang Tiantong Group refused to collaborate with the Forensic Accountant in the Forensic Investigation and denied the PRC Legal Advisor of the Company ("Visiting Lawyer") access to the premises of Tiantong Yichang when the Visiting Lawyer attempted to visit Tiantong Yichang on 20 July 2022 to investigate and verify the situation.

Following the visit, the Visiting Lawyer has opined that the Company had lost control of Yichang Tiantong Group from 23 December 2021 when Mr. Li and the finance staff of Yichang Tiantong Group blatantly ignored the Group's internal control procedures and proceeded with the Loan Transfer. Further, the Group had requested Yichang Tiantong Group to provide all necessary assistances in relation to the audit of the 2021 Financial Statements and the preparation of Yichang Tiantong Group's management accounts for the six months ended 30 June 2022. Despite repeated demands and requests from the Company, Yichang Tiantong Group did not respond to the Company's requests and have failed to provide all necessary books and records to the Company.

Management Discussion and Analysis

On 29 July 2022, the Company received from the Forensic Accountant a report of the Forensic Investigation (the "Forensic Investigation Report") in which the Forensic Accountant concluded that Tiantong Yichang had conducted an unauthorized transaction (i.e. the Loan Transfer) in the amount of approximately RMB34.40 million. Key findings on the Forensic Investigation and details of the actions taken by the Company and the difficulties it faced in regaining the control of Yichang Tiantong Group were disclosed in the Company's announcement dated 29 July 2022 (the "Key Forensic Findings Announcement"). To address the Stock Exchange's concern, the Company further instructed the Forensic Accountant to conduct a forensic investigation with extended scope. Details of the extended scope and key findings of the extended forensic investigation (the "Extended Forensic Investigation Report") were disclosed in the Company's announcement dated 3 October 2022.

Despite the series of actions taken by the Company as disclosed in the Key Forensic Findings Announcement, the Company has failed to regain and recover the control of Yichang Tiantong Group. In view of the above, the Board has resolved that it is appropriate to deconsolidate the financial results of Yichang Tiantong Group from the Group's financial statements with effect from 1 January 2021 on the ground that the Company has lost control of Yichang Tiantong Group.

The view of the Board and the Audit Committee on the Audit Qualification

The Board and the Audit committee acknowledged the view of the Auditor regarding the deconsolidation of Yichang Tiantong Group. After examining the evidence and documents available in relation to the loss of control of the Yichang Tiantong Group, the findings of the Forensic Accountant as set out in the Forensic Investigation Report and the Extended Forensic Investigation Report, the Board and the Audit Committee concluded that the Loan Transfer was caused by (i) Mr. Li overriding the Company's internal payment control procedures; and (ii) the improper and unlawful conducts and acts of some members of the senior management of Yichang Tiantong Group who intentionally neglected the instructions and authority of the Group's management and the Board. As revealed by the Extended Forensic Investigation Report, none of the Directors and senior management of the Group other than those of Yichang Tiantong Group identified in the Forensic Investigation Report had prior knowledge of, or was involved in, the Loan Transfer. The deconsolidation is beyond the control and without any fault of the Company and its directors.

Action plan of the Group to address the Audit Qualification

Following the loss of control of Yichang Tiantong Group, the Board considers that it would be prudent and in the best interest of the Company to segregate Yichang Tiantong Group from the Group as soon as possible in order to entrench the Group from any further potential tangible and intangible losses and damages arising from the loss of control of Yichang Tiantong Group, including reputational risks and potential third-party claims. On 10 August 2022, Strong Won BVI, the sole shareholder of Strong Won HK, resolved to wind up Strong Won HK by way of member's voluntary winding-up under the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong). Strong Won BVI and Strong Won HK are indirect wholly-owned subsidiaries of the Company. Strong Won HK in turn holds 100% equity interest in Tiantong Yichang. Dr. Wan Ho Yuen Terence and Mr. Yeung Chun Wa of Zhonghui Anda CPA Limited have been appointed as the joint voluntary liquidators ("Liquidators") of Strong Won HK. Leveraging on the Liquidators' extensive commercial network and wealth of experience in handling liquidations and distressed assets disposal, the Board believes that the Liquidators would provide the best solution to the Group in dealing with the assets and liabilities of Strong Won HK and its subsidiaries. By appointing the Liquidators, the Group's legal control over Strong Won HK and Yichang Tiantong Group had been transferred to them. The Group no longer had legal control over Yichang Tiantong Group after appointment of the Liquidators.

Yichang Tiantong Group was deconsolidated during the financial year ended 31 December 2021. The Board and the Audit Committee are of the view that the limitation of scope on deconsolidation of Yichang Tiantong Group was a one-off, non-recurring incident, which will affect the opening balance on the 2021 Financial Statements. The carrying value of the net assets of Yichang Tiantong Group and the amount due from Yichang Tiantong Group to the Group were fully impaired in the 2021 Financial Statements.

Management Discussion and Analysis

The Board, the Audit Committee and the Auditor agree that the Audit Qualification, following the commencement of the member's voluntary winding up of Strong Won HK, will be resolved in the consolidated financial statements of the Company for the year ending 31 December 2022 ("2022 Financial Statements") with no disclaimer of opinion expected to be issued for the 2022 Financial Statements, except for the qualification on the opening balances and corresponding figures (i.e. figures for 2021 Financial Statements) due to the carrying forward effect from the Audit Qualification on the 2021 Financial Statements.

(b) Opening balances and corresponding figures

Details of the basis of the Audit Qualification

Elite Partners CPA Limited was appointed as the auditor of the Group on 16 May 2022. Due to the limitation on accessing the underlying accounting records of Yichang Tiantong Group, the Auditor was unable to obtain sufficient appropriate audit evidence in respect of the opening balances as at 1 January 2021. In addition, the Auditor was unable to review the work papers of the predecessor auditor of the Group (i.e. PwC) of the consolidated financial statements for the year ended 31 December 2020. As a result, the Auditor was unable to determine whether the opening balances in respect of Yichang Tiantong Group contain misstatements that materially affect the current period's consolidated financial statements and whether the corresponding figures included in the current period's consolidated financial statements have been presented, in all material respects, in accordance with the HKFRSs.

The view of the Board and the Audit Committee on the Audit Qualification

The Board and the Audit Committee consider that the Company has provided all available audit evidences to the Auditor and, except for the uncertainty or possible effect of the matters leading to the Audit Qualification disclosed herein, the performance and financial position of the Group for the financial year ended 31 December 2021 were reasonably presented.

The Board and the Audit Committee acknowledge the limitation of the Auditor in accessing the underlying accounting records of Yichang Tiantong Group and the uncooperative behaviour of the staff of Yichang Tiantong Group owing to loss of control mentioned above. There were no other satisfactory audit procedures that the Auditor could adopt to obtain sufficient appropriate evidence in this regard. Also, the Board and the Audit Committee understand the difficulties in obtaining work papers in respect of the previous financial year from PwC. While the Board and the Audit Committee agree with the Audit Qualification on that basis, they both consider the Audit Qualification arising from the deconsolidation, except for the qualification on the opening balances and corresponding figures (i.e. figures for 2021 Financial Statements) due to the carrying forward effect, will be removed in the 2022 Financial Statements following the deconsolidation of Yichang Tiantong Group and the commencement of the member's voluntary winding-up of Strong Won HK. The Auditor will be able to rely on their own work papers going forward.

Action plan of the Group to address the Audit Qualification

The Company will continue to provide all available audit evidence and support to the Auditor for the purposes of the audit of the financial statements of the Group. The Board and the Audit Committee understand, after discussion with the Auditor, the possible consequential effect on the 2022 Financial Statements, resulting from the disclaimer of opinion on the 2021 Financial Statements, according to Hong Kong Standard on Auditing 710 Comparative Information – Corresponding Figures and Comparative Financial Statements, would possibly be a modified opinion on the corresponding figures (i.e. figures for the 2021 Financial Statements) of the Group's 2022 Financial Statements. Accordingly, the Board and the Audit Committee consider that no further action is required to remove the disclaimer of opinion in this regard.

Management Discussion and Analysis

BUSINESS REVIEW

2021 marks the first year of China's 14th Five-Year Plan. Steady progress was made through China's successful management of both economic development and pandemic control. Despite the turbulent situation of the COVID-19 pandemic affecting global economic growth, China's economy exhibited a trend of high quality growth resulting from steady growth in domestic consumer demand and the optimisation and upgrade of consumption structure, which has created a positive impact in terms of stimulating the food industry. According to information of the National Bureau of Statistics of China, China recorded gross domestic product of RMB114 trillion, representing a growth of 8.1% year-on-year based on fixed prices. Retail sales of consumer goods amounted to RMB44.1 trillion, representing a growth of 12.5% year-on-year. For the export market, according to the statistics of the General Administration of Customs of China, both China's import and export trade recorded rapid growth, with exports of intermediary goods achieving growth of 28.6% in particular, due to China's excellent pandemic control and the gradual recovery of the world economy.

During the Year Under Review, the Group capitalised on the massive opportunities created under the post-pandemic new normal and the policy of internal circulation. Being committed to provide more varieties of fruit products and specialty beverages to satisfy the demands of consumers, the Group was active in research and development ("R&D") innovation, steadily increased production capacity and continued to optimise our sales network positioning.

During the Year Under Review, the Group has received numerous honors. The Group's wholly-owned subsidiary, 山東天同食品有限公司 ("Shandong Tiantong Food"), was awarded "13-Five' Light Industry Technological Innovation Advanced Collective" honours, demonstrating a high level of recognition on the Group's efforts in product innovation and technological empowerment, proving that the Group is an industry leader among its peers. Moreover, the Group was listed as a 2021 Top 100 China Food OEM Enterprise and was ranked 21st at the national level, reflecting the massive potential of the Group's fruit processing business and demonstrating a high level of market recognition for the Group's product quality and service quality.

Own Brand and OEM Business

Facing a rising demand for healthy food products from young generations, in 2021, the Group devoted efforts to establish a chic brand image, and also continued to make progress in product diversification, packaging diversification and deseasonalisation. The Group's own brands, "天同時代 (Tiantong Times)", "繽果時代 (Bingo Time)" and "果小懶 (fruit zz)" successively launched new products, including canned fruit products featuring China Chic zodiac characters on the new packaging, assorted canned fruits, and canned poach pears in brown syrup, which received widespread acclaim. The "享派 Shiok Party" energy drinks, beloved by consumers, and the healthy and delicious "妖果季" beverage, featuring large fruit chunks, were highly recognised by both distributors and consumers during the Year Under Review, and the Group has already developed more new flavours that are expected be released to the market in the near future.

During the Year Under Review, the Group maintained intensive efforts in formulating its marketing strategy. Products under the Group's own brands were sold in 27 provinces, direct municipalities and autonomous regions across China, with a sales network covering renowned chain supermarkets and stores such as RT MART, AEON, Jingkelong, JHCVS and Jiajiali.

Management Discussion and Analysis

Consumption patterns have changed significantly in the post-pandemic era as online retail volume continue to climb. During the Year Under Review, the Group maintained intensive efforts in formulating its marketing strategy to enhance market penetration and recognition of our own brands. The Group organised promotional activities in conjunction with different themes and festivals, and was actively involved in sales on popular online shopping platforms and short video live streaming platforms. The market responded positively towards the Group's natural and quality food and beverage products as well as diversified packaging and promotional strategies.

The Group's OEM business continued to contribute stable revenue to the Group, with business coverage over renowned international brands in regions across the five continents, including the United Kingdom, Europe, Canada, the United States, Australia, New Zealand and Japan. Despite the volatility of the global pandemic situation, there is still a robust worldwide appetite for importing various processed fruit products made in China. The Group will continue to explore more business partnership opportunities in various regional markets in order to promote sustainable development of our OEM business.

Trading of Fresh Fruits

For years, the Group has selected and resold a small portion of fresh fruits to domestic fresh fruit wholesalers. China is both the largest fruit producing and consumption country and its consumers are increasingly aware of quality and branding in purchasing fruits. 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, processing and exchange of fresh fruits from different origins of both domestic and overseas markets, and bring a richer and more diversified variety of quality fruits and processed fruits to the consumers at large.

Research, Development and Innovation

As a national level high-tech enterprise, the Group focuses on innovative technology to promote enterprise development and strives to achieve breakthroughs in production technology. Through research, development and innovation of quality products, the Group penetrates and expands into domestic and overseas markets. We continue to optimise production facilities in order to raise our level of automation and production efficiency. The Group actively invests in the development of various processed fruit products and specialty beverage products, so as to expand product varieties and diversify our brand portfolio. We remain committed to our strategy of deseasonalisation in order to be able to maintain all-weather, year-round production and sales.

During the Year Under Review, the Group enhanced the functions of the R&D department, continued to improve our technical know-how, developed more diverse product varieties and flavours, and designed a series of new packaging targeted at the preferences of younger age groups. In particular, we devoted efforts to build a China Chic brand by incorporating elements of traditional Chinese culture into the packaging, which merged the product characteristics with the "Made in China" concept and at the same time satisfied the desire for new tastes from consumers. Further, the Group has successfully developed an innovative series of "fruit ball" products as a crossover to the refreshment beverage market. Made with real fruit bits, it features a translucent appearance and chewy texture, and is considered a healthier choice for consumers.

Expansion of Production Capacity

During the Year Under Review, the construction work of the Group's No. 5 and No.6 production workshops in Shandong has been basically completed and production lines will be installed during 2022. The workshops are expected to commence operations by the end of 2022. Moreover, the Group has completed the acquisition of a parcel of industrial land located in Honghe Prefecture, Yunnan Province, the PRC, as part of the Group's key initiative in the development of the tropical fruit products in China. The Group plans to invest in the construction of an integrated production base (the "Yunnan Production Base") in order to further expand the Group's product varieties, production capacity and sales network.

Management Discussion and Analysis

The new Yunnan Production Base, which will focus on tropical and sub-tropical processed fruit products, has a site area of over 130,000 square metres with total designed annual production capacity of 90,000 tonnes, comprising, inter alia, a research centre, a processing centre, a sorting centre, a sales and trading centre, and a warehousing and logistics centre. It will also promote optimisation of the Group's warehousing and logistics system across China, and improve cost effectiveness of our own brand products. Given the abundance of fruit resources in Yunnan, it is anticipated that with progress on construction works, commencement of production will soon follow. The Group believes that with the Regional Comprehensive Economic Partnership ("RCEP") becoming effective in 2022, the relevant goods can enjoy tariff concessions, which in turn lower the costs of purchases from their origins.

Merger and Acquisition and Strategic Partnership

As the domestic and overseas economies recover from the pandemic, the Group is also 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 specialty beverages. In particular, our own brand of fruit juice and vitamin sports beverage, the "享派 Shiok Party" series of products, have gradually launched to the international market in 2021. The Group is also seeking strategic partnership opportunities to further diversify to more varieties of food and beverage products and sell its own brand products in various overseas markets.

Outlook

According to Euromonitor forecasts, the growth of functional foods market in China will shift from first-tier and second-tier cities to third tier and fourth tier cities, and it is expected that in the next five years up to 2026, the industry market size in China could reach approximately RMB600 billion. Given the increased concerns among consumers for health and wellness, the popularity of variety of healthy foods and products such as fruit jelly and soft drinks is expected to increase. Packaging with trendy features will also be developed to express unique lifestyles, provide convenience and promote eco-friendliness, in order to cater to market preferences.

The Group will keep up with the pace of economic recovery, as we strive to perform well in various aspects such as product line diversification, research and development of new products, expansion of production capacity and robust operations. The Group will gradually launch more new products with different flavours on its fruit juice vitamin sports beverage series and chunky fruit beverage series as we endeavour to solidify our "crossover" strategic development. As the demand in the specialty beverage and processed fruit product market continues to grow, we will actively develop and launch more varieties of specialty beverages and snacks to satisfy customer demands, which will establish a sound foundation for the Group's diversified fruit processing and specialty beverage production business.

FINANCIAL REVIEW

Revenue

During the Year Under Review, our revenue increased to approximately RMB871.6 million from approximately RMB850.3 million for the year ended 31 December 2020, representing an increase of approximately RMB21.3 million or 2.5%. The Group continued to sell its processed fruit and beverage products under its own brand and on an OEM basis, and engaged in trading of fresh fruits. The increase in revenue during the Year Under Review was mainly attributable to the increase in the sales of our own brand and OEM products of approximately RMB31.3 million and RMB15.7 million respectively.

Management Discussion and Analysis

Breakdown of revenue by business segments for the year ended 31 December 2021 and the comparative figures in 2020 is set out as follows:

	For the year ended 31 December		Changes	
	2021	2020		
	RMB million	RMB million	RMB million	%
Revenue				
Own Brand Sales	**500.7**	469.4	31.3	6.7
OEM Sales	**316.7**	301.0	15.7	5.2
Fresh Fruits Sales and others	**54.2**	79.9	(25.7)	(32.2)
Total	**871.6**	850.3	21.3	2.5

During the Year Under Review, revenue from our sales of processed fruits and beverage products under our own brand accounted for 57.4% (2020: 55.2%) of the total revenue and represented the largest business segment of the Group. Own brand sales increased from approximately RMB469.4 million for the year ended 31 December 2020 to approximately RMB500.7 million for the year ended 31 December 2021, representing an increase of approximately RMB31.3 million or 6.7%. The increase was mainly contributed by the increase in sales from newly launched speciality beverage products.

Revenue from sales of processed fruit products on an OEM basis continued to contribute a significant portion of the total revenue of the Group and represented 36.3% (2020: 35.4%) 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 increased by RMB15.7 million or 5.2% from approximately RMB301.0 million for the year ended 31 December 2020 to approximately RMB316.7 million for the year ended 31 December 2021. Although the COVID-19 continued to affect the consumption, commercial and tourism activities around the world during the Year Under Review, our processed fruit products continued to receive orders from the existing customers and brand owners around the world.

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 6.2% of the total revenue for the year ended 31 December 2021 (2020: 9.4%). Revenue from fresh fruit sales and others during the Year Under Review decreased by RMB25.7 million or 32.2% to approximately RMB54.2 million. The decrease was mainly due to the decrease in the sales of fresh mandarin oranges and grapes, and frozen fruits.

Management Discussion and Analysis

Gross profit and gross profit margin

	For the year ended 31 December 2021 RMB million	2020 RMB million	Changes RMB million	%
Gross profit				
Own Brand Sales	**138.7**	127.4	11.3	8.9
OEM Sales	**86.9**	88.9	(2.0)	(2.2)
Fresh Fruits Sales and others	**9.5**	18.3	(8.8)	(48.1)
Total gross profit	**235.1**	234.6	0.5	0.2

Gross profit for the year ended 31 December 2021 increased to approximately RMB235.1 million from approximately RMB234.6 million for the year ended 31 December 2020, representing a year-on-year increase of RMB0.5 million, or 0.2%. During the Year Under Review, the increase in gross profit from own brand sales, which was offset by the decrease in gross profit from OEM sales, and fresh fruit sales and others. The increase in gross profit from own brand sales was driven by increase in its revenue. The decrease in gross profit from OEM sales was mainly due to the drop of its gross margin. The decrease in gross profit from fresh fruits sales and others was mainly driven by the drop of revenue from them.

	For the year ended 31 December 2021	2020
Gross profit margin		
Own Brand Sales	**27.7%**	27.1%
OEM Sales	**27.4%**	29.5%
Fresh Fruits Sales and others	**17.5%**	23.0%
Overall gross profit margin	**27.0%**	27.6%

During the Year Under Review, the overall gross profit margin decreased from 27.6% to 27.0%. The decrease in overall gross margin was mainly caused by the decrease in gross profit margin on processed fruit products from OEM sales due to the rise in average costs on the processed fruit products, which was partially offset by the increase in gross profit margin on the sales of beverage products under our own brand. With regard to gross profit margin of fresh fruits sales and others, if certain other and miscellaneous adjustments are excluded, the gross margin would decrease slightly to 23.2% for the year ended 31 December 2021 (2020: 24.6%).

Management Discussion and Analysis

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 2021, the selling and distribution expenses increased from approximately RMB15.3 million for the year ended 31 December 2020 to approximately RMB22.1 million, representing a year-on-year increase of approximately RMB6.3 million, or 41.2%. The increase was mainly attributable to the increase in promotion and advertising expenses, and transportation and delivery costs during the Year Under Review.

Research and development expenses

Research and development expenses mainly include raw materials, staff costs and overhead expenses related to the R&D functions. The amount of expenses increased from RMB3.2 million for the year ended 31 December 2020 to RMB27.6 million for the year ended 31 December 2021, representing a year-on-year increase of approximately RMB24.4 million, or 762.5%. During the Year under Review, the Group's R&D functions were enhanced and the number of R&D projects for new product development and existing product improvement increased.

General and administrative expenses

General and administrative expenses mainly include salary expenses and related staff costs for management and administrative departments, professional fees, depreciation and amortisation, foreign exchange differences, and various taxes with regard to the use of land and buildings. The amount of expenses decreased from RMB36.0 million for the year ended 31 December 2020 to RMB30.9 million for the year ended 31 December 2021, representing a year-on-year decrease of approximately RMB5.1 million, or 14.2%. The decrease was mainly attributable to the decrease in depreciation, salary expenses and related staff costs, and miscellaneous tax expenses which was partially offset by the increase in auditors remuneration.

Income tax expenses

Income tax expenses represent mainly the PRC enterprise income tax payable by our PRC subsidiaries. For the year ended 31 December 2021, our income tax expenses decreased by RMB4.7 million, or approximately 13.8%, to RMB29.3 million from RMB34.0 million for the year ended 31 December 2020. The overall decrease in the income tax expenses was primarily due to the decrease in our assessable income in the PRC during the Year Under Review.

Net loss/profit

For the year ended 31 December 2021, net profit decreased by approximately RMB150.0 million or 100.6% from approximately RMB149.1 million for the year ended 31 December 2020 to a net loss of RMB0.9 million for the year ended 31 December 2021. The substantial decrease was mainly due to the losses resulting from deconsolidation of Yichang Tiantong Group with a total amount of approximately RMB148.3 million.

Without taking into account the losses in relation to deconsolidation of Yichang Tiantong Group, the net profit for the year ended 31 December 2021 would only slightly decrease by approximately RMB1.7 million or 1.1% to approximately RMB147.4 million, as compared to a net profit of approximately RMB149.1 million for the year ended 31 December 2020, which was at a similar-level as comparing to 2020.

Management Discussion and Analysis

Liquidity, financial resources and capital resources

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

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

	As at 31 December 2021	As at 31 December 2020
Gearing ratio (%)	**8.93%**	17.7%
Current ratio	**2.85**	2.44
Cash and cash equivalent (RMB million)	**490.1**	528.3
Net current assets (RMB million)	**473.5**	495.2
Quick ratio	**2.56**	2.19

The gearing ratio of the Group as at 31 December 2021 was 8.93% (31 December 2020: 17.7%). 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 2021 was 2.85 (31 December 2020: 2.44).

As at 31 December 2021, our cash and cash equivalents amounted to approximately RMB490.1 million (31 December 2020: RMB528.3 million). Our net current assets was approximately RMB473.5 million as at 31 December 2021, as compared to approximately RMB495.2 million as at 31 December 2020.

The quick ratio (calculated based on total currents assets (excluding inventory) divided by total current liabilities) of the Group as at 31 December 2021 was 2.56 (31 December 2020: 2.19). 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 RMB1,032.9 million and RMB262.3 million, respectively as at 31 December 2021 (31 December 2020: RMB1,016.5 million and RMB347.7 million).

Management Discussion and Analysis

Bank borrowings, and net finance income

As at 31 December 2021, the total amount of interest-bearing bank borrowings was approximately RMB92.3 million (31 December 2020: RMB180.4 million).

Net finance income of the Group represents finance income less finance costs. Net finance income increased from approximately RMB7.0 million for the year ended 31 December 2020 to approximately RMB14.8 million for the year ended 31 December 2021, representing an increase of approximately RMB7.8 million or approximately 70.9%.

During the Year Under Review, the finance income was approximately RMB0.3 million and remained at the same level as that for the year ended 31 December 2020. Finance costs decreased by approximately RMB7.9 million or 91.9%. The overall increase in net finance income was mainly attributable to the decrease in interest expenses on bank borrowings and increase in interest capitalisation.

Pledged assets

The Group pledged its right-of-use assets and buildings as collaterals for the bank borrowings. As at 31 December 2021, the net book value of pledged right-of-use assets and buildings amounted to approximately RMB89.6 million (2020: RMB147.5 million).

Capital expenditure

During the Year Under Review, we made several improvement works and built new facilities for the sustainable development of our business. Our total capital expenditure amounted to RMB87.2 million (2020: RMB121.5 million). The construction of the new No. 5 and No. 6 workshops was basically completed. Capital expenditure in relation to the construction of new workshops and production facilities of approximately RMB69.0 million had been expended as of 31 December 2021. Approximately RMB16.7 million were expended in relation to upgrading works on production facilities and addition of machineries. With respect to the Yunnan production base, approximately RMB64.0 million were expended to acquire the land use rights in respect of the land in the city of Mile, Yunnan Province, the PRC. The non-current portion of the prepayment mainly comprises a refundable deposit of RMB96.0 million at the PRC Government in preparation for application for and participating in the land auction.

Interest rate risk

The Group has not used any derivatives to hedge against interest rate risk. The interest rate risk of the Group arises from the bank balances at floating interest rates, and the bank and other borrowings. The bank borrowings obtained at variable rates exposes the Group to cash flow interest rate risk which is partially offset by the bank balances held at variable rates. The borrowings of the Group at fixed interest rates also expose the Group to fair value interest rate risk. During the 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 have mostly been conducted in United States dollars. The monetary assets of the Group were denominated in HKD, Renminbi and United States dollars. The Group has not implemented any hedging measures to mitigate the aforesaid foreign exchange risk. The management will monitor its foreign exchange exposure from time to time and will consider implementing hedging measures if necessary.

Management Discussion and Analysis

Human resources

As at 31 December 2021, the number of employees of the Group was 670. The total staff costs, including Directors' emoluments, amounted to approximately RMB46.9 million for the Year Under Review (31 December 2020: approximately RMB52.3 million). The emoluments payable to the Directors are subject to their respective terms of engagement approved by the Remuneration Committee of the Company having regard to the operating results of the Group, the performance of individual Directors and comparable market statistics. The Group implements a remuneration policy which offers or has in place bonus, a share option scheme and a share award scheme with reference to the performance of the Group and individual employees. The Group also provides insurances, medical benefits and contribute to retirement funds for employees so as to sustain the competitiveness of the Group.

For the years ended 31 December 2021 and 2020, there were no forfeited contributions which were available to reduce the Group's existing level of contributions to the state-managed retirement benefits schemes operated by the local PRC governments nor Mandatory Provident Fund Scheme for all employees in Hong Kong.

Commitments and contingent liabilities

As at 31 December 2021, the capital commitments contracted for but not yet incurred and provided for amounted to approximately RMB4.4 million (31 December 2020: RMB56.9 million). In addition, the Group did not have any material outstanding contingent liabilities.

Material acquisitions and disposals

Discloseable Transaction: Completion of Allotment and Issue of Consideration Shares

As disclosed in the announcement of the Company dated 15 September 2017, according to the sale and purchase agreement dated 15 September 2017 ("Agreement") entered into among the vendor (being Long Advance Investments Limited) and the purchaser (being Tianyi Holding Hong Kong Limited, which is a wholly-owned subsidiary of the Company), if the Target Group (being Strong Won Investment Limited and its subsidiaries) reaches the Target Production Volume and Target Revenue (as respectively defined in the announcement), the Company shall allot and issue a maximum of 17,188,000 ordinary shares to Long Advance Investments Limited as consideration shares. The Company has allotted and issued 13,050,000 ordinary shares to Long Advance Investments Limited on 2 June 2021 as consideration shares. The consideration shares allotted and issued to Long Advance Investments Limited represented approximately 1.34% of the total issued share capital of the Company before such allotment and issue, and approximately 1.32% of the enlarged issued share capital of the Company after such allotment and issue. After such allotment and issue of shares, the entire consideration for the acquisition under the Agreement has been settled. For details, please see announcement of the Company dated 2 June 2021.

Management Discussion and Analysis

Termination of Discloseable and Connected Transaction in relation to Joint Venture

Reference is made to the announcement of the Company dated 11 February 2019 and the circular of the Company dated 18 March 2019 ("JV Circular").

As disclosed in the JV Circular, on 11 February 2019, the Company and Sichuan Yizhan Enterprise Co Ltd. ("Sichuan Yizhan") entered into the conditional Joint Investment Agreement (incorporating a joint venture agreement, collectively the "Joint Venture Arrangements"), pursuant to which the Company and Sichuan Yizhan would establish a joint venture company in Sichuan Province, the PRC for developing a base for, among other things, fruit and vegetable processing, grading and trading. The Joint Venture Arrangements were approved by the independent shareholders of the Company on 2 April 2019. The joint venture company, namely Tianyun Food (Sichuan) Ltd. (天韵食品(四川)有限公司) ("JV Co"), was established on 30 July 2019 and was held as to 70% by Tianyi Holding Hong Kong Limited (a wholly-owned subsidiary of the Company) ("Tianyi Holding") and 30% by Sichuan Yizhan.

On 2 July 2021, the Company, Tianyi Holding and Sichuan Yizhan entered into an agreement pursuant to which the parties have agreed to unconditionally and irrevocably terminate the Joint Venture Arrangements with immediate effect. For details, please see announcement of the Company dated 12 July 2021.

Discloseable Transaction: Acquisition of Land Use Rights

On 22 December 2021, Mile City Natural Resources Bureau (彌勒市自然資源局) and Tiantong Food (Mile) Company Limited (a wholly-owned subsidiary of the Company, "Tiantong Food (Mile)") entered into the Land Grant Contract, pursuant to which Mile City Natural Resources Bureau agreed to grant, and Tiantong Food (Mile) agreed to acquire, the land use rights in respect of a parcel of industrial land with a site area of 132,579.55 square metres in Xiaoshishan Villager Group, Kuaxi Villager Committee, Xingtian Industrial Park, Mile City, Yunnan Province ("Land") for a term of 50 years at the consideration of RMB61,119,380. The Land Grant Contract constitutes a discloseable transaction for the Group under Chapter 14 of the Listing Rules. The Land was delivered by Mile City Natural Resources Bureau to the Group on 22 December 2021 as agreed. For details, please see announcement of the Company dated 22 December 2021.

Save as disclosed above, during the year ended 31 December 2021 and up to the date of this 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 C.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 2021 to 15 June 2024
Mr. Sun Xingyu	Executive Director	From 16 June 2021 to 15 June 2024
Mr. Wang Hu	Executive Director	From 22 October 2018 to 3 March 2021
Ms. Chu Yinghong	Non-executive Director	From 16 June 2021 to 15 June 2024
Mr. Wong Yim Pan	Non-executive Director	From 16 June 2021 to 15 June 2024
Mr. Liu Zhumeng	Non-executive Director	From 22 October 2018 to 3 March 2021
Mr. Liang Zhongkang	Independent Non-executive Director	From 16 June 2021 to 15 June 2024
Prof. Lu Yuanping	Independent Non-executive Director	From 27 June 2019 to 17 June 2022
Mr. O'Yang Wiley	Independent Non-executive Director	From 11 November 2019 to 11 May 2022

Note: Mr. Wang Hu has resigned as an executive director of the Company and Mr. Liu Zhumeng has resigned as a non-executive director of the Company, both with effect from 4 March 2021.

Mr. O'Yang Wiley has resigned as the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee with effect from 23 April 2022 and an independent non-executive director with effect from 12 May 2022.

Professor Lu Yuanping has resigned as an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 18 June 2022.

Corporate Governance Report

Subsequent to the Year under Review, Mr. Yeung Wan Yiu was appointed as an executive Director with effect from 21 April 2022, Mr. Shiu Shu Ming was appointed as an independent non-executive Director with effect from 6 April 2022 and Prof. Ye Xingqian was appointed as an independent non-executive Director with effect from 18 June 2022.

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 48 to 52 under the section headed "Biographical Details of Directors and Senior Management".

The Board decides on corporate strategies, approves overall business plans and evaluates the Group's financial performance and management. Specific tasks that the Board delegates to the Group's management include, 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 C.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules which took effect from 31 December 2021, 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 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, corporate finance, 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 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.

Corporate Governance Report

Board Meeting

During the Year Under Review, the Board held four meetings and the individual attendance of each Director at those meetings are as follows:

Name of Director	Number of Board meetings attended
Mr. Yang Ziyuan	4/4
Mr. Sun Xingyu	4/4
Mr. Wang Hu (resigned on 4 March 2021)	0/0
Ms. Chu Yinghong	4/4
Mr. Wong Yim Pan	4/4
Mr. Liu Zhumeng (resigned on 4 March 2021)	0/0
Mr. Liang Zhongkang	4/4
Prof. Lu Yuanping	4/4
Mr. O'Yang Wiley	4/4

Subsequent to 31 December 2021, it transpired that there was certain unauthorized transaction carried out by Tiantong Food (Yichang) Limited* (天同食品（宜昌）有限公司) ("Tiantong Yichang"), which in turn led to delay in publication of the annual results of the Company for the Year Under Review and suspension of trading in the Shares. For details, please refer to the paragraph headed "Delay in Publication of Annual Results and Suspension of Trading" of this corporate governance report and note 37 to the consolidated financial statements. In this connection, 20 Board meetings have been held between 1 January 2022 and up to the date of this report, including the Board meeting held on 24 October 2022 approving the annual results of the Company for the Year under Review and the interim results of the Company for the six months ended 30 June 2022.

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.

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 D.3.3 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 during the Year under Review. The Audit Committee was chaired by Mr. O'Yang Wiley. As of the date of this report, the Audit Committee consists of Mr. Shiu Shu Ming (Chairman), Mr. Liang Zhongkang (Member) and Prof. Ye Xingqian (Member).

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.

Corporate Governance Report

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 2020 and the interim results for the six months ended 30 June 2021 of the Company. 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

Subsequent to 31 December 2021, 4 meetings of the Audit Committee have been held between 1 January 2022 and up to the date of this report, including the Audit Committee meetings held on, inter alia, (i) 16 May 2022 approving the change of auditors and (ii) 24 October 2022 approving the annual results of the Company for the Year under Review and the interim results of the Company for the six months ended 30 June 2022.

Nomination Committee

The Company established the Nomination Committee on 16 June 2015 with written terms of reference. During the Year under Review, the Nomination Committee consists of five members, namely, Mr. Yang Ziyuan, Mr. Liang Zhongkang, Prof. Lu Yuanping, Mr. O'Yang Wiley and Mr. Wang Hu. Mr. Wang Hu ceased to be a member since 4 March 2021. Three of the members of the Nomination Committee are our independent non-executive Directors. The Nomination Committee was chaired by Mr. Yang Ziyuan. As at the date of this report, the Nomination Committee consists of Mr. Yang Ziyuan (Chairman), Mr. Liang Zhongkang (Member), Mr. Shiu Shu Ming (Member) and Prof. Ye Xingqian (Member).

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.

Corporate Governance Report

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 meetings are as follows:

Name of Director	Number of meetings attended
Mr. Yang Ziyuan	1/1
Mr. Liang Zhongkang	1/1
Prof. Lu Yuanping	1/1
Mr. O'Yang Wiley	1/1
Mr. Wang Hu (resigned on 4 March 2021)	0/0

Subsequent to 31 December 2021, the Nomination Committee held four meetings relating to change of the board of directors and composition of the board committees.

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 E.1.2 (c)(ii) of the CG Code as set out in Appendix 14 to the Listing Rules. During the Year under Review, 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 was chaired by Mr. Liang Zhongkang. As of the date of this report, the Remuneration Committee consists of Mr. Liang Zhongkang (Chairman), Mr. Yang Ziyuan (Member), Prof. Ye Xingqian (Member) and Mr. Shiu Shu Ming (Member).

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.

Corporate Governance Report

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.

Subsequent to 31 December 2021, the Remuneration Committee held four meetings to discuss the remuneration packages of the directors.

Strategic Development Committee

The Company established the Strategic Development Committee on 16 June 2015. The Strategic Development Committee consists of seven members, namely, Mr. Yang Ziyuan, Mr. Sun Xingyu, Ms. Chu Yinghong, Mr. Wong Yim Pan, Mr. Liang Zhongkang, Mr. Ho Ho Tung Armen and Mr. Liu Zhumeng. Mr. Yang Ziyuan has been appointed as the chairman of the Strategic Development Committee. Mr. Liu Zhumeng ceased to be a member since 4 March 2021.

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 held one meeting.

Name of Director and Senior Management	Number of meetings attended
Mr. Yang Ziyuan	1/1
Mr. Sun Xingyu	1/1
Mr. Liang Zhongkang	1/1
Mr. Wong Yim Pan	1/1
Ms. Chu Yinghong	1/1
Mr. Liu Zhumeng (resigned on 4 March 2021)	0/0
Mr. Ho Ho Tung Armen	1/1

Subsequent to 31 December 2021, the Strategic Development Committee held a meeting on 24 October 2022 to review the business decision and formulate future business development and strategies of the Company. The Strategic Development Committee has also renamed "Strategic Development and Investment Committee" with newly adopted Terms of Reference.

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 two independent professional advisors 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, 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.

Corporate Governance Report

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.

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.

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 and Environmental, Social and Governance Report.

Delay in Publication of Annual Results and Suspension of Trading

Trading in the shares of the Company has been suspended since 1 April 2022 pending the release of the Company's audited annual results for the Year under Review.

The delay was due to:

(i) the necessity to clarify certain issues in connection with bank confirmations of two subsidiaries of the Group, namely Tiantong Yichang and Tiantong Food and Beverages (Yuanan) Limited* (天同食品飲料(遠安)有限公司) ("Tiantong Yuanan") (collectively referred as the "Subsidiaries"); and

(ii) the Directors' preliminary observation that there may be unauthorized transaction(s) carried out by Tiantong Yichang.

On 16 May 2022 PricewaterhouseCoopers, the former external auditor of the Company, resigned as auditor of the Company. In its resignation letter dated 16 May 2022, PricewaterhouseCoopers raised certain concerns relating to the Subsidiaries.

The Investigation Committee of the Company had on 18 May 2022 engaged Mazars Certified Public Accountants LLP* (the "Forensic Accountant") as the Company's forensic accountant to conduct an independent forensic investigation into the unauthorized transaction(s) carried out by the Subsidiaries (the "Forensic Investigation"). On 29 July 2022, the Company received a forensic investigation report (the "Forensic Investigation Report") from the Forensic Accountant, which identified two internal control deficiencies of the Group including: (1) breach of the investment management internal control which requires approval of the board of directors of the relevant subsidiary, the board of directors of the Company and the chief executive officer of the Group, in relation to investments over RMB20 million and (2) breach of the payment internal control which requires approval of the board of directors of the relevant subsidiary, in relation to payments exceeding RMB3 million on non-operational payments.

The Board has reviewed the Forensic Investigation Report and considers that the Forensic Investigation Report has adequately addressed the issues raised by PricewaterhouseCoopers. The Board has also reviewed the recommendations made by the Investigation Committee and concurs with the view of the Investigation Committee. The Board also concurs with the Investigation Committee's observations that the Group's internal control should be improved.

Corporate Governance Report

On 24 August 2022, the Investigation Committee resolved to mandate the Forensic Accountant to conduct further investigation into the electronic data and other matters (the "Extended Scope") in relation to the Forensic Investigation.

On 23 September 2022, the Forensic Accountant issued to the Investigation Committee a supplemental report on the key findings on the Extended Scope of the Forensic Investigation (the "Supplemental Report", together with the Forensic Investigation Report, the "Extended Forensic Investigation Report"). The Investigation Committee reviewed and presented the Supplemental Report, together with the opinion of the Investigation Committee, to the Board for approval on 29 September 2022.

A summary of key findings of the Forensic Accountant includes: (a) no inconsistencies was discovered between the device information recorded by the system of the Company and the labels on the forensic images of the electronic devices available to the employees of the Company; (b) Mr. Li Jinrong admitted that he lent on behalf of the Group approximately RMB34.40 million to Mr. Gu Qinghua which has not been repaid and arranged an unauthorized adjustment in the 2021 Financial Statements, which caused the discrepancy between the internal financial records and the bank account balance; (c) none of the Directors and senior management of the Group other than those of the Subsidiaries identified in the Forensic Investigation Report had prior knowledge of, or was involved in, the unauthorised transfer; (d) additional information and records obtained by the Forensic Accountant from third parties showed that no irregularity was found and (e) Mr. Li has no role in the Group other than the Subsidiaries.

Having considered the Extended Forensic Investigation Report, the Investigation Committee maintains its view that Mr. Li should be responsible for the consequential losses suffered by the Group. It considered the content and findings in the Extended Forensic Investigation Report are reasonable and acceptable and recommended the same to the Board. The Board agrees with the recommendations of the Investigation Committee and it is of the view that the issues identified in the Extended Forensic Investigation Report do not have material adverse impact on the business operations of the Group.

In May 2022, the Company engaged Elite Partners Risk Advisory Services Limited ("IC Consultant") to review the internal control system of the Group (excluding the Subsidiaries due to loss of control), including risk management, corporate governance, financial recording and reporting procedures, investment procedures, treasury function, sales and receipts, purchase and payment and human resources management. The review covers the Group's internal control systems for the period from 1 July 2021 to 30 June 2022 ("IC Review").

The IC Consultant identified 7 key internal control deficiencies, with 2 deficiencies categorised as high risk and the remaining 5 deficiencies categorised as medium risk. The high risk level internal control deficiencies included (1) loss of control of the Subsidiaries and (2) non-compliance with the Listing Rules regarding publication of audited results for the Year under Review. The medium risk level internal control deficiencies included (1) high reliance on external leadership on risk management, (2) absence of corporate governance manual and comprehensive induction package for newly-appointed directors, (3) lack of regular updates on the internal control manual, (4) comprehensive investment policies and procedures required for improvement on the investment decision, and (5) insufficient segregation of duty to process payments of significant amounts.

Having considered the IC Review and the remedial actions taken by the Group, in particular, the IC Consultant had performed follow-up reviews on the enhanced internal control measures adopted by the Group, the Audit Committee and the Board are of the view that (i) the above key internal control deficiencies have been remediated and the related risks have been managed to a reasonable level; and (ii) the remedial actions and improvement measures implemented by the Company are adequate and sufficient to address the key findings of the IC Review Report and the internal control concerns raised by PricewaterhouseCoopers.

For details of the above, please refer to the Company's announcements dated 31 March 2022, 8 April 2022, 29 April 2022, 12 May 2022, 16 May 2022, 29 July 2022, 5 August 2022 and 3 October 2022.

Corporate Governance Report

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.

Auditors' Remuneration

During the Year Under Review, the remuneration provided and paid to the Company's former 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.

During the Year Under Review, the remuneration provided and paid to the Company's current external auditors, Elite Partners CPA Limited, was approximately RMB2.1 million for audit services.

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 55 of this annual report.

Company Secretary

The Company Secretary is Mr. Ho Ho Tung Armen. The biographical details of the Company Secretary are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. The Company Secretary took not less than 15 hours of relevant professional 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.

Corporate Governance Report

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 memorandum and articles of association of the Company. Special resolution to amend the memorandum and articles of association of the Company in light of the recent amendments to the Listing Rules will be proposed at the forthcoming annual general meeting.

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 11 to 20 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 focus on innovative research and development, enhance product quality and production efficiency, optimise structure of product mix, and strengthen its core competitiveness. The Group recorded results for the year with revenue, gross profit and net profit before losses in relation to deconsolidation and net loss of approximately RMB871.6 million, RMB235.1 million, RMB147.3 million and RMB0.9 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.

Report of the Directors

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 2021 Environmental, Social and Governance Report which will be available on the websites of the Stock Exchange and the Company.

Workplace Quality

The Group always takes human resources as a 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.

In 2021, management has identified five significant risks through the risk management process described above. As the Company's business scale, scope and complexity have evolved, so does its external environment, management considers that the Company is still facing the five significant risks disclosed in 2020 through the risk management process detailed above. In comparison with 2020, "Public Outbreak Risk" and "International Business Environment Risk" have been increased while the other risks remain stable.

The effects of each category of risks on the Group and the corresponding alleviating/avoidance measures to manage such risks are as follows:

Public Outbreak Risk

The Company's business could be adversely affected by uncontrollable public outbreak, such as natural disasters, social security events, accident disasters or epidemic diseases (such as COVID-19), The occurrence of an outbreak of public emergency could severely disrupt our business operations, even result in failure of normal operation, and adversely affect our business performance due to the damaged business environment.

Report of the Directors

Risk Management Measures: The Group has established the necessary response mechanisms. In the post-pandemic era, the epidemic prevention and control emergency working groups set up by the Group continues to operate effectively, closely monitoring risks, keeping up with policy changes and local government requirements, responding to both risks and policy changes in a timely and appropriate manner, and strictly implementing the prevention and control measures for COVID-19. Through performing emergency drills regularly, the Group supports the business group in responding to urgent needs, adjusting resource allocation and timely deployment of emergency measures to ensure employee safety and continued operations of the Group's business, and improve the business's capabilities in responding to emergencies. The Group has also actively worked and communicated with its business partners on raw material supply, order production and logistics arrangement to aid the economic recovery and business development in the post-pandemic era.

International Business Environment Risk

The Group's products are sold in both domestic and international markets. Global and regional economic uncertainties, COVID-19 pandemic spreading around the world and other factors may have a negative impact on our overseas sales, the instability of China-US relations and the adjustment of EU tariff policy may affect the extension and development of the Group's products in the international market, subsequently affect and weaken the Group's competitiveness and potential for business development.

Risk Management Measures: The Group adjusts its business strategy scientifically, flexibly and reasonably in accordance with the macroeconomic environment, responding to the uncertainties brought about by the macroeconomic environment while continuing to seek opportunities for business development.

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, including the China-US trade relations and China-European trade relations, as well as tariff, political policy adjustments, 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.

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, move competitive 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.

Risk Management Measures: The Group has formulated strategies for market expansion, including product pricing, product category layout, sales channel expansion and management, etc.. In addition to establishing competitive advantages through differentiation of raw materials and product packaging, 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, increase the types of fruits from different climate zone and explore new products with great market potential 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.

Report of the Directors

Product Quality and Food Safety Risk

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. 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.

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)", "享派(Shiok Party)" and "妖果季(Demon Fruit Season)". The Group has been vigorously consolidating its own brand product business. In response to crisis, the Group has established the corresponding emergency response mechanism, to follow up on the progression of crisis, assess risks, make prompt decisions and adjust its businesses to reduce the impact of crisis on the Group. The Group maintains transparent and accurate communication with our consumers, customers, shareholders and other stakeholders to maintain and manage its own brands. In addition, the Group also engaged professional public relation companies to handle any possible critical incidents that may be prejudicial to the Group's image, arranged internal 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 continue to promote the Group's image and brands by further leveraging on online and offline communication channels.

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, to win the market reputation and consumer trust through product safety and quality, thereby enhancing the brand value and maintaining reputation of the Group.

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.

Report of the Directors

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	113.4	–
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	–

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 56. The Board has resolved not to declare any final dividend for the year ended 31 December 2021.

Significant Investments

As at 31 December 2021, the Group did not hold any significant investments (2020: nil).

Closure of Register of Members

The forthcoming annual general meeting ("2022 AGM") will be held on Thursday, 1 December 2022. For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Monday, 28 November 2022 to Thursday, 1 December 2022 (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 2022 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 25 November 2022.

Report of the Directors

Major Customers and Suppliers

During the Year Under Review, the aggregate sales to the Group's five largest customers accounted for approximately 14.3% of the Group's total revenue and sales to the Group's largest customer was approximately 4.5% of the Group's total revenue.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 23.1% of the Group's total purchases, and the purchases attributable to the Group's largest supplier was approximately 4.8% of the Group's total purchases.

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

Property, Plant and Equipment

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

Share Capital

Details of the movements in share capital of the Group and Company during the Year under Review are set out in notes 21 and note 35 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 2021, the Company has no reserve available for distribution to shareholders (2020: nil).

Details of the movements in reserves of the Group and of the Company during the year are set out in notes 22 and 35 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 115 of this annual report.

Report of the Directors

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

During the Year Under Review, 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 35 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.

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.

Report of the Directors

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

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

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

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

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

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

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

Grantee	Outstanding 01/01/2021	Exercised during the year ended 31/12/2021	Lapsed during the year ended 31/12/2021	Outstanding at 31/12/2021	Date of Grant	Exercise period	Exercise price (HK$)	Price of the Company's share immediately before the grant date (HK$)
Key management	352,000	–	(352,500)	–	21/04/2016	*Note 1*	0.97	0.93
Other Employees	1,572,000	–	(1,572,500)	–	21/04/2016	*Note 1*	0.97	0.93
Total	1,925,000	–	(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 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 RMB2.0 million (2020: RMB2.1 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 RMB120,000 for charitable purpose (2020: RMB264,000).

Report of the Directors

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)*
Mr. Yeung Wan Yiu *(appointed on 21 April 2022)*

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

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 of the Articles of Association, Ms. Chu Yinghong, Mr. Wong Yim Pan and Mr. Liang Zhongkang will retire from office as Directors by rotation at the AGM and, being eligible, offer themselves for re-election.

Pursuant to Article 74(3) of the Articles of Association, Mr. Yeung Wan Yiu, Mr. Shiu Shu Ming and Prof. Ye Xingqian will hold office as Directors until the AGM and, being eligible, offer themselves for re-election.

In compliance with Rule 3.10(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Board currently comprises three independent non- executive Directors, representing one-third of the Board.

Brief biographical details of Directors and senior management are set out on pages 48 to 52 to this annual report.

Report of the Directors

Directors' Service Contracts

Each of Mr. Yang Ziyuan and Mr. Sun Xingyu 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 2021.

Each of Ms. Chu Yinghong, Mr. Wong Yim Pan and Mr. Liang Zhongkang has renewed her/his service contract with our Company pursuant to which she/he agreed to act as an Non-executive Director for another term of 3 years with effect from 16 June 2021.

Pursuant to a service agreement entered into between Mr. Yeung Wan Yiu and the Company, his appointment shall commence on 21 April 2022 for a term of three years and is subject to retirement by rotation and re-election according to the Articles of Association.

Pursuant to an appointment letter entered into between Mr. Shiu Shu Ming and the Company, his appointment shall commence on 6 April 2022 for a term of three years and is subject to retirement by rotation and re-election according to the Articles of Association.

Pursuant to an appointment letter entered into between Prof. Ye Xingqian and the Company, his appointment shall commence on 18 June 2022 for a term of three years and is subject to retirement by rotation and re-election according to the Articles of Association.

None of the Directors has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Interests in Transactions, Arrangement or Contracts

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

Directors' Indemnity

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

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the Year Under Review.

Related Party Transactions

Details of related party transactions entered into during the year were disclosed in note 33 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.

Report of the Directors

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 2021, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

Long Position in Ordinary Shares and Underlying Shares of the Company

Name of Directors	Capacity/Nature of interest	Number of shares held	Approximate percentage of total issued share capital
Mr. Yang Ziyuan	Interest of a controlled corporation	198,180,260 *(Note 1)*	20.01%
Ms. Chu Yinghong	Interest of spouse	198,180,260 *(Note 2)*	20.01%
Mr. Sun Xingyu	Interest of a controlled corporation	110,000,000 *(Note 3)*	11.11%

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 2021, 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.

Report of the Directors

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

As at 31 December 2021, 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
Rainbow Lead Ventures Limited *(Note 1)*	Beneficial owner	263,914,740	26.64%
Wealthy Active Limited *(Note 2)*	Beneficial owner	198,180,260	20.01%
Wealthy Maker Limited *(Note 3)*	Beneficial owner	110,000,000	11.11%
Sino Red Limited *(Note 4)*	Beneficial owner	70,515,000	7.12%

Notes:

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

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 2021.

Corporate Governance Practices

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report as set out on pages 21 to 31 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.

Report of the Directors

Events After Reporting Period

Suspension of trading

The Company was not in a position to publish the annual results of the Group for the Year Under Review on or before 31 March 2022 in accordance with Rule 13.49(3) of the Listing Rules, due to the necessity to clarify certain issues in connection with the bank confirmations and a loan transfer of approximately RMB34.40 million by a management of a subsidiary of the Company to Mr. Gu Qinghua ("Loan Transfer") as detailed in note 2.2 to the consolidated financial statements.

Trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 am on 1 April 2022 as required under Rule 13.50 of the Listing Rules. Please see announcements of the Company dated 31 March 2022 and 8 April 2022 for details.

On 23 April 2022, the Board has resolved to establish an investigation committee ("Investigation Committee"), initially comprising (i) two independent non-executive Directors, namely Mr. Liang Zhongkang and Mr. Shiu Shu Ming; and (ii) an executive Director, namely Mr. Yeung Wan Yiu to investigate the unauthorized transaction(s). Please see announcement of the Company dated 29 April 2022 for details.

On 11 May 2022, the Company received a letter from the Stock Exchange setting out the certain resumption guidance for the resumption of trading in the shares of the Company ("Resumption Guidance"). Please see announcement of the Company dated 12 May 2022 for details.

PricewaterhouseCoopers ("PwC") has resigned as auditor of the Company with effect from 16 May 2022 as PwC has not been able to obtain any information nor satisfactory explanations in connection with the audit matters and is not able to determine and perform the necessary additional audit procedures and the time required to finalise the audit for the Year under Review. Elite Partners CPA Limited has been appointed as the new auditor to fill a casual vacancy following PwC's resignation. Please see announcement of the Company dated 16 May 2022 for details.

The Company announced the Resumption Guidance of the Stock Exchange and the Company's resumption plan with details of actions that the Company has taken or intends to take as well as the expected timeframe in fulfilling the Resumption Guidance to resume trading in the Shares. Please see announcement of the Company dated 30 June 2022 for details.

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

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

Details of the opinion of the Forensic Accountant, the IC Consultant, the Investigation Committee and the Board are contained in the Corporate Governance Report of this report.

Report of the Directors

The Directors had previously resolved that it was appropriate to deconsolidate the financial results of Tiantong Yichang and Tiantong Yuanan (the "Yichang Tiantong Group") from the Group's financial statements with effect from 31 December 2021. Despite the series of actions taken by the Company as disclosed, the Company has failed to regain and recover the control of the Yichang Tiantong Group. In view of such circumstances, the Board had resolved that the Yichang Tiantong Group be deconsolidated ("Deconsolidation") effective from 31 December 2021 for the reason that the Company has lost control of the Yichang Tiantong Group. For details, please see announcement of the Company dated 10 August 2022.

Subsequently, the Company had further discussions with external auditor Elite Partners CPA Limited. The auditor has been unable to carry out all necessary procedures for the audit of the accounts of the Yichang Tiantong Group for the Reporting Period (namely, the financial year ended 31 December 2021) due to the loss of control of the Yichang Tiantong Group by the Company and the lack of collaboration with the auditor by the staff of the Yichang Tiantong Group. In view of the situation, the Company considers, and the auditor concurs, the exclusion of the unaudited management accounts of the Yichang Tiantong Group from the Group's account for the Reporting Period will more fairly present the performance and financial position of the Company and its subsidiaries excluding the Yichang Tiantong Group (the "Remaining Group"). The Deconsolidation would take effect from 1 January 2021 rather than from 31 December 2021 as previously stated. Please see announcement of the Company dated 19 August 2022 for details.

The issues concerning the Deconsolidation are elaborated in notes 2.2 and 29 to the consolidated financial statements. The Company published the audited consolidated financial information for the Year under Review on 24 October 2022.

Voluntary Winding Up of a Subsidiary

Following the Deconsolidation, on 10 August 2022, Strong Won Investment Limited ("Strong Won BVI"), the sole shareholder of Strong Won Investment Hong Kong Limited ("Strong Won HK") resolved to wind up Strong Won HK by way of member's voluntary winding-up under the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong). Strong Won BVI and Strong Won HK are indirect wholly-owned subsidiaries of the Company. Dr. Wan Ho Yuen Terence and Mr. Yeung Chun Wa of Zhonghui Anda CPA Limited have been appointed as the joint and several liquidators of Strong Won HK. Apart from holding 100% equity interest in Tiantong Yichang (one of the Subsidiaries which in turn holds 100% equity interest in Tiantong Yuanan), Strong Won HK has no other major assets or operation. For details, please see announcement of the Company dated 10 August 2022.

Change of corporate positions and committees

Mr. Shiu Shu Ming has been appointed as an independent non-executive director, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company with effect from 6 April 2022. Mr. Shiu has also been appointed as a member of the Investigation Committee with effect from 23 April 2022. Please see announcements of the Company dated 6 April 2022 and 29 April 2022 for details.

Mr. O'Yang Wiley has resigned as an independent non-executive director, the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee with effect from 12 May 2022 due to his personal commitment. Mr. Shiu Shu Ming has been appointed as the chairman of the Audit Committee with effect from 12 May 2022. Please see announcement of the Company dated 14 April 2022 for details.

Report of the Directors

Mr. O'Yang served a notice on 23 April 2022 that the effective dates of Mr. O'Yang's cessation as chairman of the Audit Committee and member of each of the Remuneration Committee and the Nomination Committee has been revised from 12 May 2022 to 23 April 2022, while the appointment of Mr. Shiu Shu Ming as chairman of the Audit Committee would be effective on the said date (i.e. 23 April 2022). Please see announcement of the Company dated 25 April 2022 for details.

Mr. Yeung Wan Yiu has been appointed as an executive director with effect from 21 April 2022. Mr. Yeung has also been appointed as a member of the Investigation Committee with effect from 23 April 2022. Please see announcements of the Company dated 21 April 2022 and 29 April 2022 for details.

Mr. Liang Zhongkang has been appointed as a member of the Investigation Committee with effect from 23 April 2022.

Prof. Lu Yuanping has resigned as an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 18 June 2022 due to her other work commitment. Please see announcement of the Company dated 23 May 2022 for details.

Prof. Ye Xingqian has been appointed as an independent non-executive director, a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Investigation Committee with effect from 18 June 2022. Please see announcement of the Company dated 17 June 2022 for details.

Mr. Sun Xingyu has ceased to be an authorised representative of the Company pursuant to Rule 3.05 of the Listing Rules, and Mr. Yeung Wan Yiu was appointed in his stead both with effect from 20 July 2022. Please see announcement of the Company dated 20 July 2022 for details.

Change of Address of Hong Kong Branch Share Registrar and Transfer Office

With effect from 15 August 2022, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited, will change its address from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong.

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 2021.

Auditor

The consolidated financial statements for the years ended 31 December 2019 and 2020 were audited by PricewaterhouseCoopers. The consolidated financial statements for the year ended 31 December 2021 were audited by Elite Partners CPA Limited, which was appointed on 16 May 2022 following PwC's resignation on the same day. A resolution for the reappointment of Elite Partners CPA Limited 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, 24 October 2022

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 59, 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 61, 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.

Mr. Yeung Wan Yiu (楊雲耀)

Mr. Yeung Wan Yiu, aged 45, was appointed as our executive Director on 21 April 2022. Mr. Yeung is the Co-Founder of GLAM Capital Limited. Mr. Yeung has years of corporate management experience. He has over 20 years of global financial market experiences and is well versed in the market knowledge. Rainbow Lead Ventures Limited ("Rainbow Lead") is the registered owner of 263,914,740 shares of the Company, representing approximately 26.64% of its total issued share capital. Therefore, Rainbow Lead is the substantial shareholder (as defined in the Listing Rules) of the Company. Mr Yeung owns the entire issued share capital of Rainbow Lead where he is also a director.

Biographical Details of Directors and Senior Management

Non-executive Directors

Ms. Chu Yinghong (褚迎紅)

Ms. Chu Yinghong, aged 62, was appointed as our non-executive Director on 10 November 2014. She is responsible for providing advice on strategic development of our Group. She joined our Group in January 2003 as a Director of Shandong Tiantong. Ms. Chu is the spouse of Mr. Yang, one of our executive Directors.

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

Mr. Wong Yim Pan (黃炎斌)

Mr. Wong Yim Pan, aged 55, 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 1989. He obtained a master degree in business administration from The Chinese University of Hong Kong in 1992. Mr. Wong is a member of Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England & Wales, and an associate of The Chartered Institute of Management Accountants and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). He is also a CFA charter holder of the CFA Institute and a member of The Association of Corporate Treasurers. Mr. Wong has around 30 years of experiences in audit, internal audit and project analysis and management in Hong Kong and the PRC. He has worked for companies such as Coopers & Lybrand (now known as PricewaterhouseCoopers), New World Infrastructure Limited, Alcatel-Lucent, Shui On Land Limited, Ocean Equity Partners Limited, and is now a consultant with Sync Corporate Consultancy Limited.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Mr. Liang Zhongkang (梁仲康)

Mr. Liang Zhongkang, aged 78, 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.

Mr. Shiu Shu Ming (蕭恕明)

Mr. Shiu Shu Ming, aged 53, was appointed as our independent non-executive Director on 6 April 2022, Mr. Shiu has more than 20 years' experience in corporate finance, mergers and acquisitions, initial public offerings and fund raising exercises in various ventures and projects with a deal portfolio covering private entities, the People's Republic of China (the "PRC") state-owned enterprises and publicly listed companies in Hong Kong, the PRC, Malaysia, Singapore and Indonesia. Mr. Shiu obtained a bachelor's degree in accountancy from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in 1993 and is a member of Hong Kong Institute of Certified Public Accountants. He is also a licensed person registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") to carry out Type 6 (advising on corporate finance) regulated activity. From March 2020 to September 2021, Mr. Shiu was appointed as a non-executive director of Golden Century International Holdings Group Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 91). Mr. Shiu was appointed as a non-executive director and redesignated as an executive director of Orient Securities International Holdings Limited, whose shares are listed on the GEM of the Stock Exchange (stock code: 8001), on 10 June 2022 and 5 July 2022, respectively. Mr. Shiu has also been appointed as (i) a non-executive director of Oriental Payment Group Holdings Limited (whose shares are listed on GEM of the Stock Exchange (stock code: 8613)) since December 2021 and (ii) a joint company secretary of China Smartpay Group Holdings Limited, (whose shares are listed on GEM of the Stock Exchange (stock code: 8325)) since October 2020.

Prof. Ye Xingqian (葉興乾)

Prof. Ye Xingqian, aged 60, was appointed as our independent non-executive Director on 18 June 2022. Prof. Ye is a second grade professor at the Faculty of Biological System Engineering and Food Science* (浙江大學生物系統工程與食品科學學院) of Zhenjiang University ("ZJU"), a doctorate tutor, the chief of the Food and Nutrition Research Centre of ZJU* (浙江大學食物與營養研究中心主任), the chief of the Central Plains Research Centre of ZJU* (浙江大學中原研究院院長). He is also the chief of Zhejiang Provincial Agricultural Product Processing, Ministry of Agriculture Agricultural Product Storage and Preservation Quality Safety Risk Assessment (Hangzhou) Laboratory* (浙江省農產品加工、農業部農產品貯藏保鮮質量安全風險評估(杭州)實驗室主任). He is a recipient of State Council Special Grant. He was the person-in-charge of the Faculty of Food Science and Engineering of ZJU* (浙江大學食品科學與工程學科負責人), the chief of Agricultural Technology Promotion Centre of ZJU* (浙江大學農業技術推廣中心主任), vice dean of the Faculty of Biological System Engineering and Food Science* (生物系統工程與食品科學學院副院長) and vice dean of New Agricultural Village Development Research Centre* (新農村發展研究院副院長). Prof. Ye has been working in the food processing industry for more than 30 years. He has attained industrialisation in food processing. He led more than 20 major science research and development projects of the Chinese State Foundation, Ministry of Science of the People's Republic of China, and Zhejiang Provincial Government. He owns more than 70 patents and published approximately 300 articles. He is also the author of more than 20 books. His book entitled "Craftsmanship of Fruit and Vegetable Processing" * (《果蔬加工工藝學》) was listed as a 21st century national teaching material by China. He has received two second class national prizes of China, six first class provincial prizes, four second class provincial prizes.

Biographical Details of Directors and Senior Management

Senior Management

Ms. Lv Chunxia (呂春霞), aged 58, 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. In 2021, Ms. Lv was elected as secretary general of Export Canned Product Branch of Shandong Entry-Exit Inspection & Quarantine Association* (山東出入境檢驗檢疫協會出口罐頭分會), and became a member of the 5th National Technical Committee on Food Industry of Standardization Administration, Canned Product Branch Committee* (第五屆全國食品工業標準化技術委員會罐頭分技術委員會) and she was also awarded the title of "'Thirteenth Five-Year' Excellent Individual in Technological Innovation of National Light Industry"* (「十三五」輕工行業科技創新先進個人) by China National Light Industry Council* (中國輕工業聯合會). In 2022, she became a deputy chief member of Food Expert Technical Committee of Shandong Entry-Exit Inspection & Quarantine Association* (山東出入境檢驗檢疫協會食品專家技術委員會).

Mr. Ho Ho Tung Armen (何浩東), aged 46, 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.

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 Diwang Industrial 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 48, 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.

Biographical Details of Directors and Senior Management

Ms. Jiang Xiulan (姜秀蘭), aged 50, 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 also received a bachelor degree from China Agricultural University in January 2021 majoring in Food Quality and Professional Safety. Between October 1992 and January 2003, she was the statistician and chief of enterprise management of Linyi City Cannery (臨沂市罐頭廠).

Mr. Sun Lei (孫磊), aged 43, was appointed as our financial controller, PRC of the Group in March 2022, being responsible for the overall financial management and supervision of all companies of the Group in the PRC. He was the deputy general manager of Shandong Tiantong in February 2019, being 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 47, 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).

Ms. Liu Xia (劉霞), aged 40, was appointed as deputy general manager of Shandong Tiantong in March 2022, being responsible for overseeing matters relating to finance of Shandong Tiantong. She joined Shandong Tiantong as an accountant in 2006 and successively served as deputy manager of finance department and manager of finance department. Ms. Liu graduated from Shandong Institute of Light Industry (山東輕工業學院) in July 2004 majoring in accounting and graduated from Linyi Normal University (臨沂師範學院) in July 2006 majoring in accounting.

Mr. Miao Jidong (苗繼東), aged 46, was appointed as general manager of Tiantong Food (Mile) in March 2022. He is responsible for overall management matters of Tiantong Food (Mile). He joined Shandong Tiantong in 2006 as a purchasing manager. Mr. Miao graduated from No. 1 High School of Luozhuang District, Linyi City (臨沂市羅莊區第一高中), and studied business management in Chongqing University (重慶大學) in 2019. Between 1994 and 2003, he worked in Linyi Canning Factory (臨沂市罐頭食品廠), engaged in packaging and raw material purchasing.

Independent Auditor's Report

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders of Tianyun International Holdings Limited
(incorporated in the British Virgin Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Tianyun International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 114, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

a) Deconsolidation of subsidiaries

During the year ended 31 December 2021, the Group's subsidiaries, namely Tiantong Food (Yichang) Limited ("Tiantong Yichang") carried out an unauthorised transaction in respect of a loan granted to Mr. Gu Qinghua ("Mr. Gu") in the principal amount of RMB34.4 million ("Loan Transfer"). In the opinion of the board of directors of the Company and the Group's PRC legal adviser, the Loan Transfer was an unauthorised transaction carried out by the management of Tiantong Yichang without the approval by the Group.

Subsequent to the exposure of the Loan Transfer as detailed in note 2.2 to the consolidated financial statements, the Group attempted to exercise their control over Tiantong Yichang and its subsidiary, namely Tiantong Food and Beverages (Yuanan) Limited (together as "Yichang Tiantong Group") to request the necessary documents for the Loan Transfer and assess the books and records of Yichang Tiantong Group for the purpose of preparing the Group's consolidated financial statements for the year ended 31 December 2021 ("2021 Financial Statements"). However, the management of the Group and the Group's legal representative were denied access to the premises of Yichang Tiantong Group and failed to obtained necessary books and records of Yichang Tiantong Group despite repeated demands and requests from the Group. In the opinion of the directors, the Company could not exercise effective control over Yichang Tiantong Group due to the continuing uncooperative behavior of their senior management.

For the purpose of more fairly presenting the performance and financial position of the Group, in preparing the 2021 Financial Statements, the board of directors deconsolidated the financial information of Yichang Tiantong Group from 2021 Financial Statements on 1 January 2021 under the circumstances that the Group was unable to assess and obtain the completed sets of accounting records of Yichang Tiantong Group, and there was no necessary assistance from the management of Yichang Tiantong Group in relation to the audit of the 2021 Financial Statements.

Independent Auditor's Report

BASIS FOR DISCLAIMER OF OPINION *(continued)*

a) Deconsolidation of subsidiaries *(continued)*

Under the above circumstances, we were unable to carry out sufficient appropriate audit procedures to satisfy ourselves as to (i) whether the deconsolidation of Yichang Tiantong Group, including its timing was appropriate; (ii) whether the loss arising from the deconsolidation of Yichang Tiantong Group was free from material misstatements; and (iii) whether the segment information and other related disclosure in relation to the profit or loss item of the Group's consolidated financial statements for the year ended 31 December 2021 were free from material misstatements.

b) Opening balances and corresponding figures

We were appointed as the auditor of the Group on 16 May 2022. Due to the limitation in accessing the underlying accounting records of Yichang Tiantong Group, we were unable to obtain sufficient appropriate audit evidence in respect of the opening balances as at 1 January 2021. In addition, we were unable to review the work papers of the predecessor auditor of the Group's consolidated financial statements for the year ended 31 December 2020. As a result, we were unable to determine whether the opening balances in respect of Yichang Tiantong Group contain misstatements that materially affect the current period's consolidated financial statements and whether the corresponding figures included in the current period's consolidated financial statements have been presented, in all material respects, in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs").

Any adjustments that might have been found to be necessary in respect of the above would have an effect on the Group's net assets as at 31 December 2021 and the financial performance and cash flows of the Group for the year ended 31 December 2021 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the Yichang Tiantong Group.

RESPONSIBILITIES OF THE DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to form an audit opinion on these consolidated financial statements.

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.

The engagement partner on the audit resulting in this independent auditor's report is Siu Jimmy with Practising Certificate number P05898.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 24 October 2022

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	*6*	**871,578**	850,250
Cost of sales	*7*	**(636,499)**	(615,644)
Gross profit		**235,079**	234,606
Other income	*6*	**4,559**	2,645
Other gains/(losses), net	*6*	**2,763**	(6,624)
Selling and distribution expenses	*7*	**(22,088)**	(15,301)
Research and development expenses	*7*	**(27,600)**	(3,197)
General and administrative expenses	*7*	**(30,942)**	(36,033)
Loss on deconsolidation of Yichang Tiantong Group	*29*	**(135,265)**	–
Impairment loss on amount due from Yichang Tiantong Group	*29*	**(13,017)**	–
Operating profit		**13,489**	176,096
Finance income		**15,585**	15,611
Finance costs		**(749)**	(8,620)
Finance income – net	*9*	**14,836**	6,991
Profit before income tax		**28,325**	183,087
Income tax expense	*10*	**(29,264)**	(33,952)
(Loss)/profit and total comprehensive (expense)/income, net of tax for the year		**(939)**	149,135
(Loss)/profit and total comprehensive (expense)/income attributable to:			
Equity holders of the Company		**(939)**	149,253
Non-controlling interest		**–**	(118)
		(939)	149,135
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company for the year (expressed in RMB dollar)			
– Basic (loss)/earnings per share	*11*	**(0.001)**	0.151
– Diluted (loss)/earnings per share	*11*	**(0.001)**	0.151

The notes on pages 60 to 114 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	*13*	**130,698**	78,638
Property, plant and equipment	*14*	**306,025**	384,447
Investment properties	*15*	**30,100**	30,300
Prepayments and other receivables	*19*	**99,358**	31,419
Goodwill		**–**	1,104
Total non-current assets		**566,181**	525,908
Current assets			
Inventories	*17*	**74,451**	86,969
Trade and other receivables	*19*	**164,501**	218,064
Restricted cash	*20*	**–**	5,000
Cash and cash equivalents	*20*	**490,106**	528,287
Total current assets		**729,058**	838,320
Total assets		**1,295,239**	1,364,228
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*21*	**158,929**	141,685
Reserves	*22*	**874,008**	874,947
		1,032,937	1,016,632
Non-controlling interest		**–**	(147)
Total equity		**1,032,937**	1,016,485
LIABILITIES			
Non-current liabilities			
Lease liabilities	*13*	**302**	–
Deferred tax liabilities	*28*	**6,481**	4,590
Total non-current liabilities		**6,783**	4,590
Current liabilities			
Trade and bills payables	*25*	**17,641**	19,776
Accruals and other payables	*26*	**34,649**	28,570
Amount due to a substantial shareholder	*33(b)*	**104,000**	81,630
Bank borrowings	*27*	**92,286**	180,388
Contingent consideration payable	*34*	**–**	20,207
Lease liabilities	*13*	**347**	355
Current income tax liabilities		**6,596**	12,227
Total current liabilities		**255,519**	343,153
Total equity and liabilities		**1,295,239**	1,364,228

The notes on pages 60 to 114 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 56 to 114 were approved by the Board of Directors on 24 October 2022 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 2021

	Attributable to equity holders of the Company					
	Share capital RMB'000	Shares held under share award scheme RMB'000	Other reserves RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	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 equity holders						
Final dividends paid relating to 2019 *(Note 12)*	(26,752)	–	–	(26,752)	–	(26,752)
Total transactions with equity holders	(26,752)	–	–	(26,752)	–	(26,752)
Balance at 31 December 2020	141,685	(2,080)	877,027	1,016,632	(147)	1,016,485

	Attributable to equity holders of the Company					
	Share capital RMB'000	Shares held under share award scheme RMB'000	Other reserves RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2021	141,685	(2,080)	877,027	1,016,632	(147)	1,016,485
Comprehensive expense						
Loss for the year	–	–	(939)	(939)	–	(939)
Total comprehensive expense for the year	–	–	(939)	(939)	–	(939)
Transaction with equity holders						
Issuance of shares	17,244	–	–	17,244	–	17,244
Deregistration of a subsidiary	–	–	–	–	147	147
Total transactions with equity holders	17,244	–	–	17,244	147	17,391
Balance at 31 December 2021	158,929	(2,080)	876,088	1,032,937	–	1,032,937

The notes on pages 60 to 114 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	*30(a)*	**222,385**	183,014
Interest paid		**(3,992)**	(9,746)
Income tax paid		**(25,915)**	(24,680)
Net cash generated from operating activities		**192,478**	148,588
Cash flows from investing activities			
Purchases of property, plant and equipment		**(61,835)**	(87,607)
Purchases of land use rights		**(63,982)**	–
Prepayment for property, plant and equipment		**(2,714)**	(31,419)
Deposit for land use rights		**(96,000)**	–
Proceeds from disposal of property, plant and equipment	*30(b)*	**–**	12
Net cash outflow from deconsolidation of Yichang Tiantong Group	*29*	**(28,113)**	–
Interest received		**15,585**	15,611
Net cash used in investing activities		**(237,059)**	(103,403)
Cash flows from financing activities			
Advance from a substantial shareholder		**25,178**	65,759
Proceeds from bank borrowings		**92,915**	184,988
Repayments of bank borrowings		**(107,400)**	(207,222)
Payment for lease liabilities		**(418)**	(410)
Dividends paid to shareholders	*12*	**–**	(26,752)
Net cash generated from financing activities		**10,275**	16,363
Net increase in cash and cash equivalents		**(34,306)**	61,548
Cash and cash equivalents at beginning of year		**528,287**	471,992
Effect of foreign exchange rate changes		**(3,875)**	(5,253)
Cash and cash equivalents at end of year	*20*	**490,106**	528,287

The notes on pages 60 to 114 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 and beverage products and trading of fresh fruits.

The Company is an investment holding company incorporated in the British Virgin Islands ("BVI") on 8 September 2011 with limited liability. The address of its registered office is Commerce House, Wickhams Cay 1, 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.

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

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

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 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 the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and 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) which is 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 2021

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:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, "Interest Rate Benchmark Reform – Phase 2"
- Amendment to HKFRS 16, "Covid-19 related Rent Concessions beyond 30 June 2021"

Other than the amendment to HKFRS 16, the Group has not applied any new standard or amendments 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 consolidated 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 2021 and have not been early adopted

- Amendments to HKFRS 3, HKAS 16 and HKAS 37, "Narrow-scope amendments"[1]
- HKFRS 17 and Amendments to HKFRS17, "Insurance Contract"[2]
- Amendments to HKFRS 10 and HKAS 28, "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"[3]
- Amendments to HKAS 1, "Classification of Liabilities as Current or Non-current"[2]
- Amendments to HKAS 1 and HKFRS Practice Statement 2, "Disclosure of Accounting Policies"[2]
- Amendments to HKAS 8, "Definition of Accounting Estimates"[2]
- Amendments to HKAS 12, "Deferred tax related to assets and liabilities arising from a single transaction"[2]
- Amendments to Account Guideline 5, "Revised Merger Account for Common Control Combinations"[4]
- Annual Improvements, "Annual Improvement 2018-2020 Cycle"[1]
- HK Interpretation 5 (2020), "Classification by the Borrower of a Repayment on Demand Clause"[2]

[1] effective for annual period beginning on or after 1 January 2022
[2] effective for annual period beginning on or after 1 January 2023
[3] to be determined
[4] effective for business combinations/common control combinations for which the acquisition date/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022.

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 2021

2 Summary of significant accounting policies *(continued)*

2.2 Deconsolidation of subsidiaries

Subsequent to the financial year ended 31 December 2021, the Company alleged the Group's wholly-owned subsidiary, namely Tiantong Food (Yichang) Limited (天同食品（宜昌）有限公司) ("Tiantong Yichang") carried out an unauthorised transaction in respect of a loan granted to Mr. Gu Qinghua ("Mr. Gu") in the principal amount of RMB34.4 million during the year ended 31 December 2021 ("Loan Transfer").

Reference was made to the Company's announcement dated 29 July 2022 in relation to the result of the forensic investigation for the Loan Transfer. The forensic accountant is of the view that the Loan Transfer was an unauthorised transaction carried out by the management of Tiantong Yichang without the approval from the Group's chief executive officer and the Company's board of directors pursuant to the Company's investment management internal control.

Subsequent to the Loan Transfer was exposed, the management of the Group visited Tiantong Yichang's plant, but were denied to access by their security staff. Further, the Company demanded the management of Tiantong Yichang to return Tiantong Yichang's company and finance chops, but the request was refused.

The Company has been seeking legal advice from the PRC Legal Adviser to address the issue and to regain control of Tiantong Yichang and its subsidiary, namely Tiantong Food and Beverages (Yuanan) Limited (天同食品飲料（遠安）有限公司) ("Tiantong Yuanan") (collectively referred as the "Yichang Tiantong Group"). On 20 July 2022, a lawyer of the Company's PRC Legal Adviser (the "Visiting Lawyer") visited Tiantong Yichang's plant to investigate and verify the Loan Transfer. However, despite clear explanation from the Visiting Lawyer of his capacity as the legal representative of the Company, he was denied to access by the security guard at the entrance of Tiantong Yichang's plant and failed to gain access to Tiantong Yichang's plant.

The Company also requested Yichang Tiantong Group to provide necessary assistance in relation to the audit of the 2021 Financial Statements. Despite repeated demands and requests from the Company, the management of Yichang Tiantong Group did not respond to the Company's requests and have failed to provide all necessary books and records to the Company.

Under the above circumstances, the Company's board of directors are in the opinion that the Company was unable to exercise control over Yichang Tiantong Group.

Since the Company was unable to obtain books and records of Yichang Tiantong Group, in preparing the Group's consolidated financial statements for the year ended 31 December 2021 ("2021 Financial Statements"), the financial information of Yichang Tiantong Group was, therefore, deconsolidated from the 2021 Financial Statements on 1 January 2021. The Company's board of directors are in the opinion that the exclusion of Yichang Tiantong Group in 2021 Financial Statements will more fairly present the performance and financial position of the Group.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

2 Summary of significant accounting policies *(continued)*

2.3 Basis of Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over the entity; is exposed, 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 deconsolidation from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to Note 2.4).

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.

2.4 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 in exchange for control of the acquiree. 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 sum of 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 gain, the difference is recognised directly in the statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated 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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

2 Summary of significant accounting policies *(continued)*

2.5 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.

2.6 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.

2.7 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 using exchange rates prevailing at the end of each reporting period of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates for the period (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 2021

2 Summary of significant accounting policies *(continued)*

2.8 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
Buildings	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, estimated useful lives and depreciation policy are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Summary of significant accounting policies *(continued)*

2.9 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.

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 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 2021

2 Summary of significant accounting policies *(continued)*

2.10 Goodwill

Goodwill is measured as described in Note 2.4. 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, and not larger than an operating segment.

2.11 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 of disposal 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.

2.12 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 2021

2 Summary of significant accounting policies *(continued)*

2.12 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 statement of comprehensive income. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

(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 statement of comprehensive income. 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 statement of comprehensive income.

(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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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 2021

2 Summary of significant accounting policies *(continued)*

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

2.13 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.

2.14 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.

2.15 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.

2.16 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 2021

2 Summary of significant accounting policies *(continued)*

2.17 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.

2.18 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.

2.19 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 prepayment 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.

2.20 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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

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 2021

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) Retirement benefit costs

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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

2 Summary of significant accounting policies *(continued)*

2.22 Employee benefits *(continued)*

(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.

(d) Long service payments

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfils certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

(e) Termination benefits

Termination benefits are payable when the employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer.

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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

2 Summary of significant accounting policies *(continued)*

2.23 Share-based payments *(continued)*

Equity-settled share-based payment transactions *(continued)*

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.

2.24 Provisions

Provisions are recognised when the Group has a present 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Summary of significant accounting policies *(continued)*

2.25 Revenue recognition

(a) Sales of goods – whole sale

The Group manufactures and sells a range of processed fruit and beverage products and trading of fresh fruits 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.

(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. Such grants are presented under "other income".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 Summary of significant accounting policies *(continued)*

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.

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.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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
- any 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.

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.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

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 2021

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 2021, 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 RMB389,000 lower/higher (2020: RMB47,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of USD denominated trade receivables, cash and cash equivalents.

As at 31 December 2021, 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 RMB4,915,000 higher/lower (2020: RMB5,593,000 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, bank borrowings, amount due to a substantial shareholder and lease liabilities. 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. During years ended 31 December 2021 and 2020, the Group's bank borrowings were denominated in RMB, and the amount due to a substantial shareholder is denominated in HKD.

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

As at 31 December 2021, if interest rate on bank borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax loss for the year would have been RMB346,000 (2020: post-tax profit of RMB596,000) lower/higher, mainly as a result of higher/lower of interest expenses on variable rate bank borrowing.

As at 31 December 2021, if interest rate on amount due to a substantial shareholder had been 50 basis point higher/lower with all other variables held constant, the post-tax loss for the year would have been RMB520,000 (2020: post-tax profit of RMB408,000) higher/lower, mainly as a result of higher/lower of interest expenses on variable rate amount due to a substantial shareholder.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk and impairment assessment

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. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

(i) Risk management

Credit risk is managed on a group basis. As at 31 December 2021 and 2020, 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 close to zero.

The Group has risk control procedures to assess the credit quality of the 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 2021, top 3 trade receivables of the Group accounted for approximately 20% (2020: 11%) 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 an expected lifetime 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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk and impairment assessment *(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 considered 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 trade receivables.

On that basis, the loss allowance (except credit-impaired) as at 31 December 2021 and 2020 was determined as follows for trade receivables:

	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 2021				
Expected loss rate	**1.29%**	**1.33%**	**1.53%**	
Gross carrying amount	**127,298**	**826**	**785**	**128,909**
Loss allowance	**1,645**	**11**	**12**	**1,668**
At 31 December 2020				
Expected loss rate	0.39%	3.41%		
Gross carrying amount	173,812	176	–	173,988
Loss allowance	685	6	–	691

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

	2021 RMB'000	2020 RMB'000
Opening loss allowance at 1 January	**691**	691
Change in loss allowance recognised in profit or loss during the year	**977**	–
Closing loss allowance at 31 December	**1,668**	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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date without taking into consideration the effect of repayable on demand clause. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2021				
Trade and bills payables	**17,641**	**–**	**17,641**	**17,641**
Other payables	**31,976**	**–**	**31,976**	**31,976**
Bank borrowings	**93,267**	**–**	**93,267**	**92,286**
Amount due to a substantial shareholder	**104,269**	**–**	**104,269**	**104,000**
Lease liabilities	**370**	**308**	**678**	**649**
	247,523	**308**	**247,831**	**246,552**

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2020				
Trade and bills payables	19,776	–	19,776	19,776
Other payables	22,896	–	22,896	22,896
Bank borrowings	183,658	–	183,658	180,388
Amount due to a substantial shareholder	81,748	–	81,748	81,630
Lease liabilities	361	–	361	355
	308,439	–	308,439	305,045

3.2 Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debts divided by total equity. Total debts are calculated by aggregating the bank borrowings and the non-trade nature of amount due to a substantial shareholder as at 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

3 Financial risk management *(continued)*

3.2 Capital management *(continued)*

The gearing ratios were as follows:

	2021 RMB'000	2020 RMB'000
Total debts	**196,286**	262,018
Total equity	**1,032,937**	1,016,485
Gearing ratio	**19.0%**	25.8%

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).

Fair value hierarchy as at 31 December 2021 and 2020:

	Level 3	
Financial liability	**2021**	**2020**
Contingent consideration payable	–	20,207

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 34.

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 and bank borrowings approximate their fair values due to their short maturities.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

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 valuer 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 2021, 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 (2020: RMB3 million) higher/lower and the Group's loss before income tax would have been increased/decreased by RMB3 million (2020: profit before income tax of RMB3 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4 Critical accounting estimates and judgements *(continued)*

(b) Impairment of trade and other receivables

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

The loss allowances for trade and other receivables 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).

(c) Income taxes

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

5 Segment information

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

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

The Company is domiciled in the BVI while the Group operates its business in the PRC. For the year ended 31 December 2021, the Group's revenue of RMB821,770,000 (2020: RMB794,348,000) was generated from domestic and overseas customer based in the PRC and paid in RMB, and the Group's revenue of RMB49,808,000 (2020: RMB55,902,000) was generated from direct overseas customers paid in foreign currencies. Substantially all non-current assets were located in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5 Segment information *(continued)*

Segment assets and liabilities

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

Information about major customers

No single customer contributed over 10% of the Group's total revenue for the years ended 31 December 2021 and 2020.

6 Revenue, other income and other gains/(losses), net

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

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Revenue recognised at point in time		
Domestic sales	**821,770**	794,348
Direct overseas sales	**49,808**	55,902
Total sale of goods	**871,578**	850,250
Other income		
Unconditional government subsidies	**83**	1,886
Rental income	**715**	729
Service income from Yichang Tiantong Group	**3,700**	–
Sundry income	**61**	30
Total other income	**4,559**	2,645
Other losses, net		
Fair value changes on investment properties	**(200)**	(342)
Fair value changes of the contingent consideration payable	**2,963**	(6,282)
Total other income	**2,763**	(6,624)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

7 Expenses by nature

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

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Auditors' remuneration		
– Audit services	**4,323**	2,550
– Non-audit service	**267**	288
Cost of inventories sold	**588,860**	569,098
Depreciation of property, plant and equipment *(Note 14)*	**19,386**	23,048
Depreciation of right-of-use assets *(Note 13)*	**2,171**	2,441
Advertisement and promotion expenses	**9,292**	4,019
Employee benefit expenses (including directors' emoluments) *(Note 8)*	**46,929**	52,302
Legal and professional fees	**1,762**	1,898
Loss on disposals of property, plant and equipment *(Note 30(b))*	**–**	40
Land taxes, surcharges and other taxes	**8,120**	1,032
Product improvement expenses	**24,119**	3,197
Transportation expenses	**5,225**	4,918
Foreign exchange gain	**(4,114)**	(4,172)
Provision for impairment of trade receivables	**977**	–
Others	**9,812**	9,516
Total cost of sales, selling and distribution expenses, research and development expenses and general and administrative expenses	**717,129**	670,175

8 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Basic salaries, allowances and benefits in kind	**38,955**	47,610
Discretionary bonuses	**5,976**	2,626
Social security costs for the PRC employees	**1,914**	1,971
Defined contribution for Hong Kong employees – MPF	**84**	95
	46,929	52,302

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

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 2021 include two (2020: two) directors whose emoluments are reflected in the analysis shown in Note 36. The emoluments paid/payable to the remaining three (2020: three) individuals are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Basic salaries, allowances and benefits in kind	**1,640**	1,729
Discretionary bonuses	**131**	175
Social security costs	**19**	14
Defined contribution – MPF	**15**	32
	1,805	1,950

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	
	2021	2020
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	
	2021	2020
	RMB'000	RMB'000
Finance income		
– Interest income on short-term bank deposits	**15,585**	15,611
Finance costs		
– Interest expenses on other borrowings	**(177)**	(1,370)
– Interest expenses on bank borrowings	**(3,802)**	(8,374)
– Interest expenses on lease liabilities	**(13)**	(2)
– Less: amount capitalised on qualifying assets	**3,243**	1,126
	(749)	(8,620)
Finance income – net	**14,836**	6,991

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10 Income tax expense

BVI income tax

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

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax. Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% for the years ended 31 December 2021 and 2020 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 both years.

PRC corporate income tax

PRC corporate income tax has entitled been provided at the rate of 25% of the profits for the PRC statutory financial reporting purpose for the years ended 31 December 2021 and 2020, adjusted for those items which are not assessable or deductible for the PRC corporate income tax purpose. Shandong Tiantong Food Co., Ltd., one of the subsidiaries of the Group, has been approved as High and New Technology Enterprise, and to a preferential corporate income tax rate of 15% for years from 28 November 2019 to 27 November 2022.

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% (2020: 5%). The Group is therefore liable for withholding taxes on any dividends distributable by its subsidiaries established in the PRC.

At 31 December 2021, the undistributed profits of the Group's subsidiaries in the PRC deferred tax liabilities related to amounted to RMB6,481,000 (2020: RMB4,590,000) has been recognised in the consolidated statement of financial position.

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.

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

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Current income tax	**27,373**	32,429
Deferred income tax *(Note 28)*	**1,891**	1,523
	29,264	33,952

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

10 Income tax expense *(continued)*

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

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Profit before income tax	**28,325**	183,087
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(10,253)**	30,385
Effect of different taxation rates in other countries	**(307)**	(233)
Income not subject to tax	**(2,563)**	(3,415)
Expenses not deductible for tax purposes	**40,414**	5,672
Withholding tax relating to PRC subsidiaries	**1,891**	1,523
Tax losses not recognised	**550**	218
Utilisation of tax losses previously not recognised	**(468)**	(198)
	29,264	33,952

11 (Loss)/earnings per share

(a) Basic

	Year ended 31 December	
	2021	**2020**
(Loss)/profit attributable to equity holders of the Company (RMB$'000)	**(939)**	149,253
Weighted average number of ordinary shares in issue (thousand)	**990,459**	977,462
Weighted average number of issuable shares (thousand)	**–**	9,686
Less: weighted average of shares held under share award scheme (thousand)	**(2,216)**	(2,216)
	988,243	984,932
Basic (loss)/earnings per share (RMB dollar)	**(0.001)**	0.151

The calculation of basic (loss)/earnings per share is based on the (loss)/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 arrangement and weighted average shares held under shares award scheme.

(b) Diluted

The calculation of diluted (loss)/earnings per share for the year is based on the following:

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Adjusted (loss)/profit attributable to equity holders of the Company for calculation of diluted (loss)/earnings per share	**(939)**	149,253

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11 (Loss)/earnings per share *(continued)*

(b) Diluted *(continued)*

	Number of shares	
	2021	**2020**
Weighted average number of ordinary shares in issue (thousand)	**990,459**	977,462
Total number of issuable shares	**–**	9,686
Effect of dilutive potential shares:		
Share options of the Company assumed to be exercised (thousand)	**–**	19
Less: weighted average of shares held under share award scheme (thousand)	**(2,216)**	(2,216)
Weighted average number of shares for calculation of diluted earnings per share (thousand)	**988,243**	984,951
Diluted (loss)/earnings per share (RMB dollar)	**(0.001)**	0.151

Diluted (loss)/earnings per share is calculated by adjusting the (loss)/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 2021, the Group has no potential ordinary shares in issue.

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.

For the year ended 31 December 2020, diluted earnings per share did not assume the impact of issuable shares under the contingent consideration arrangement as it has an anti-dilutive effect.

12 Dividends

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Final dividend paid during the year:		
2020: nil (2019: HK$0.030 per ordinary share)	**–**	26,752

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: same).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

13 Leases

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

The Group obtains rights to control the use of certain office premises 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 (2020: 2 years).

The Group also obtained land use rights through lease contracts with local government authorities with lease periods ranging from 40 to 50 years (2020: 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	
	2021	**2020**
	RMB'000	**RMB'000**
Leasehold land and land use rights (Note)	**130,051**	78,292
Office premises	**647**	346
	130,698	78,638

Note:

On 22 December 2021, the Group entered into a land grant contract with Mile City Natural Resource Bureau (彌勒市自然資源局) to acquire the land use rights to use a parcel of industrial land with a site area of 132,579.55 square meters located in Xingtian Industrial Park, Mile City, Yunnan Province at the consideration of RMB63,982,000.

Interest expenses on lease liabilities of RMB13,000 (2020: RMB2,000) have been included in "finance cost" for the year ended 31 December 2021.

Depreciation of right-of-use assets of RMB1,585,000 (2020: RMB2,025,000) have been included in 'cost of sales' and RMB586,000 (2020: RMB416,000) have been charged in 'general and administrative expenses' for the year ended 31 December 2021.

As at 31 December 2021, right-of-use assets amounted to RMB76,261,000 (2020: RMB78,292,000) have been pledged to secure bank borrowings granted to the Group (Note 27).

(b) Lease liabilities

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Amount due for settlement within 12 months (shown under current liabilities)	**347**	355
Amount due for settlement after 12 months	**302**	–
	649	355

The total cash outflows for lease were RMB431,000 during the year ended 31 December 2021 (2020: RMB412,000).

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

As at 31 December 2021 and 2020, there is no future lease payments for short-term leases.

As at 31 December 2021 and 2020, no lease is committed but not yet commenced.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

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 2020								
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 30(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
Year ended 31 December 2021								
Opening net book amount	146,359	119,481	193	50,239	2,200	2,900	63,075	384,447
Additions	6,120	1,274	–	3,453	–	59	55,527	66,433
Depreciation *(Note 7)*	(5,709)	(5,892)	(9)	(6,589)	(361)	(826)	–	(19,386)
Deconsolidation of subsidiaries *(Note 29)*	(70,994)	(24,210)	(174)	(9,934)	(177)	(38)	(19,942)	(125,469)
Closing net book amount	75,776	90,653	10	37,169	1,662	2,095	98,660	306,025
At 31 December 2021								
Cost	100,461	124,896	238	80,461	4,986	8,731	98,660	418,433
Accumulated depreciation	(24,685)	(34,243)	(228)	(43,292)	(3,324)	(6,636)	–	(112,408)
Net book amount	75,776	90,653	10	37,169	1,662	2,095	98,660	306,025

Depreciation of RMB10,285,000 (2020: RMB11,288,000) has been charged in 'cost of sales' and RMB9,101,000 (2020: RMB11,740,000) has been charged in 'general and administrative expenses' for the year ended 31 December 2021, respectively.

As at 31 December 2021, the net book value of buildings of RMB13,325,000 (2020: RMB69,209,000) was pledged to banks for securing the Group's general banking facilities (Note 27).

Construction in progress as at 31 December 2021 mainly comprises plants and production lines being constructing in the PRC (2020: same).

During the year ended 31 December 2021, the Group has capitalised borrowing cost amounting to RMB3,243,000 (2020: RMB1,126,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings at 4.7% per annum (2020: 4.9% annum).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

15 Investment properties

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Opening balance at 1 January	**30,300**	30,300
Transfer from property, plant and equipment	**–**	342
Fair value change	**(200)**	(342)
	30,100	30,300

	Year ended 31 December	
	2021	**2020**
Amounts recognised in profit or loss for investment properties	**RMB'000**	**RMB'000**
Rental income	**715**	729
Fair value loss recognised	**(200)**	(342)

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 (2020: 5,917m^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 2021	As at 31 December 2020
Retail-Ground floor	Direct comparison	Adjusted market unit price (RMB/square meter)	4,600-5,450	5,000-6,470
Retail-others	Direct comparison	Adjusted market unit price (RMB/square meter)	4,600-5,450	3,500-4,700

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16 Subsidiaries

The following is a list of the principal subsidiaries as at 31 December 2021:

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 2021	Effective equity interest held 2020
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%	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%	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%	100%
天同食品(宜昌)有限公司 (Tiantong Food (Yichang) Ltd.) *(Note 1 & 2)*	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%
天同食品飲料(遠安)有限公司 (Tiantong food and beverage (Yuan'an) Co., Ltd.) *(Note 2)*	The PRC, Limited liability company	Manufacturing and sales of energy drink in the PRC	Registered capital of RMB50,000,000	–	100%
天同食品(彌勒)有限公司 (Tiantong Food (Mile) Company Limited) *(Note 1)*	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%	–

Notes:

(1) Registered as wholly foreign owned enterprise under the PRC law.

(2) As the Company was unable to exercise control, so the subsidiary was deconsolidated as at 1 January 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

17 Inventories

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Raw materials	**5,346**	6,360
Work in progress	**11,438**	12,157
Finished goods	**57,667**	68,452
	74,451	86,969

The cost of inventories sold recognised as expense and included in 'cost of sales' amounted to RMB588,860,000 (2020: RMB569,098,000) for the year ended 31 December 2021.

18 Financial instruments by category

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Financial assets		
– Trade receivables	**127,241**	173,297
– Other receivables (excluding prepayments)	**4,278**	3,137
– Restricted cash	**–**	5,000
– Cash and cash equivalents	**490,106**	528,287
	621,625	709,721
Financial liabilities		
– Trade and bills payables	**17,641**	19,776
– Other payables	**31,976**	22,896
– Amount due to substantial shareholder	**104,000**	81,630
– Bank borrowings	**92,286**	180,388
	245,903	304,690

19 Trade and other receivables

		As at 31 December	
		2021	**2020**
		RMB'000	**RMB'000**
Trade receivables		**128,909**	173,988
Less: loss allowance of trade receivables	*(b)*	**(1,668)**	(691)
Trade receivables, net	*(a)*	**127,241**	173,297
Prepayments and deposit	*(c)*	**132,340**	73,049
Other receivables	*(c)*	**4,278**	3,137
		263,859	249,483
Less: non-current portion:			
Prepayments for property, plant and equipment		**(3,358)**	(31,419)
Deposit for land use right		**(96,000)**	–
Current portion		**164,501**	218,064

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 (2020: 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	
	2021	**2020**
	RMB'000	**RMB'000**
Less than 30 days	**51,259**	97,749
31 to 60 days	**74,394**	75,378
61 to 90 days	**815**	170
91 to 180 days	**773**	–
	127,241	173,297

As at 31 December 2021, trade receivables of RMB1,588,000 were past due but not yet impaired (2020: RMB170,000). 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	
	2021	**2020**
	RMB'000	**RMB'000**
Overdue		
Less than 30 days	**815**	170
More than 30 days	**773**	–

The trade receivables are denominated in the following currencies:

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
RMB	**117,080**	168,216
USD	**10,161**	5,081
	127,241	173,297

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

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

19 Trade and other receivables *(continued)*

(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.

(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	
	2021	**2020**
	RMB'000	**RMB'000**
Cash at bank	**490,105**	528,136
Cash on hand	**1**	151
Restricted cash	**–**	5,000
	490,106	533,287

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

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
RMB	**489,511**	532,564
HK$	**360**	718
USD	**235**	5
	490,106	533,287

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 December 2021, RMBNil (2020: RMB5,000,000) restricted cash were held by bank for bills payables with original maturity of more than three months when acquired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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.

Issued and fully paid ordinary shares

	Number of ordinary shares	Share capital HK$'000	Equivalent share capital RMB'000
As at 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 and 1 January 2021	977,462,000	189,682	141,685
Issuance of ordinary shares *(Note b)*	13,050,000	19,967	17,244
As at 31 December 2021	990,512,000	209,649	158,929

Notes:

(a) Distribution of share capital as dividends

No dividend was paid during the year ended 31 December 2021. During the year ended 31 December 2020, the Company has paid dividends declared in 2019 amounted RMB26,752,000. Share capital amounted to RMB26,752,000 was distributed as dividends.

(b) Issuance of shares

During the year ended 31 December 2021, the Group allotted and issued 13,050,000 ordinary shares of the Company to Long Advance Investments Limited as consideration shares for the acquisition of Strong Won Investment Limited and its subsidiaries ("Strong Won Group") in 2018. The number of consideration shares was calculated based on the aggregated amount of production volume and revenue from the principal business of Strong Won Group over the three years from the completion date of the acquisition. The fair value of the consideration shares amounted to HK$19,967,000 (equivalent to approximately RMB17,244,000) is credited to share capital when the financial liability was extinguished.

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	Total reserves RMB'000
Balance at 1 January 2020	(2,080)	(3,100)	303	1,315	729,256	725,694
Profit and total comprehensive income 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

	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	Total reserves RMB'000
Balance at 1 January 2021	(2,080)	(3,100)	303	375	879,449	874,947
Loss and total comprehensive expense for the year	–	–	–	–	(939)	(939)
Release of reserve upon share options lapsed	–	–	–	(375)	375	–
Balance at 31 December 2021	(2,080)	(3,100)	303	–	878,885	874,008

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

22 Reserves *(continued)*

Note:

Retained earnings of year end include the statutory surplus reserve of the PRC subsidiaries amounting to RMB94,356,000 (2020: RMB88,111,000).

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 2021 and 2020.

(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 2021:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 January 2021 (thousands)	Lapsed during the year (thousands)	Outstanding at 31 December 2021 (thousands)
21 April 2016	0.97	21 April 2016 – 31 December 2018	1 January 2019 – 31 December 2021	1,925	(1,925)	–
				1,925	(1,925)	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 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

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

	2021 Average exercise price in HK$ per share option	2021 Number of shares (thousands)	2020 Average exercise price in HK$ per share option	2020 Number of shares (thousands)
At 1 January	**0.97**	**1,925**	1.17	5,350
Granted	**–**	**–**	–	–
Lapsed	**0.97**	**(1,925)**	1.29	(3,425)
At 31 December	**–**	**–**	0.97	1,925

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

For the year ended 31 December 2021, there was no expenses for share options granted to employees (2020: no expenses for share options granted to employees).

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.

There was no Awarded Share granted, forfeited or vested for the years ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

24 Share award scheme *(continued)*

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, 31 December 2020, 1 January 2021 and 31 December 2021	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.

25 Trade and bills payables

	As at 31 December	
	2021 RMB'000	**2020 RMB'000**
Trade and bills payables	**17,641**	19,776

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	
	2021 RMB'000	**2020 RMB'000**
Less than 30 days	**13,663**	19,245
31 to 90 days	**1,718**	253
91 to 180 days	**1,902**	23
181 to 365 days	**358**	99
Over 365 days	**–**	156
	17,641	19,776

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

26 Accruals and other payables

	As at 31 December	
	2021 RMB'000	**2020 RMB'000**
Accrued employee benefit expenses	**6,157**	12,075
Land taxes, surcharges and other taxes payables	**2,673**	5,674
Other payables for purchases of property, plant and equipment	**1,355**	2,721
Customer rebate	**16,202**	5,567
Others	**8,262**	2,533
	34,649	28,570

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26 Accruals and other payables *(continued)*

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

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
RMB	**29,849**	27,155
HK$	**4,800**	1,415
	34,649	28,570

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

27 Bank borrowings

The Group's bank borrowings were repayable as follows:

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Within 1 year	**92,286**	180,388

(a) The carrying amounts of bank borrowings approximate their fair values and are denominated in RMB. The weighted effective interest rates of bank borrowings were 4.7% per annum during the year (2020: 4.9% per annum).

28 Deferred tax liabilities

	Withholding income tax on profit to be distributed in future	
	2021	**2020**
	RMB'000	**RMB'000**
As at 1 January	**4,590**	3,067
Charged to profit or loss *(note 10)*	**1,891**	1,523
As at 31 December	**6,481**	4,590

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 RMB2,669,000 (2020: RMB2,665,000) in respect of losses amounting to approximately RMB16,175,000 (2020: RMB16,149,000) that can be carried forward against future taxable income. Such tax losses have no expiry date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

29 Financial information of the Yichang Tiantong Group

(a) Loss on deconsolidation of Yichang Tiantong Group

As described in note 2.2 of the consolidated financial statements, due to the obstructions faced by the Company in exercising control and gathering information and documents from the Yichang Tiantong Group, the Company regards that they had lost control over the Yichang Tiantong Group. Under these circumstances, the directors have not been able to obtain complete accounting records.

Due to the loss of control over the Yichang Tiantong Group, in the opinion of the directors, the assets and liabilities were derecognised from the 2021 Financial Statements on 1 January 2021. The following set out the financial impact on the deconsolidation of Yichang Tiantong Group:

	1 January 2021 RMB'000
Property, plant and equipment	125,469
Leasehold land and land use rights	10,463
Prepayment for property, plant and equipment	30,775
Goodwill	1,104
Inventories	13,031
Trade receivables	41,633
Prepayment, deposits and other receivables	616
Restricted cash	5,000
Cash and cash equivalents	28,113
Trade payables	(14,623)
Accruals and other payables	(14,292)
Amount due to inter-group companies	(12,385)
Bank and other borrowings	(72,550)
Current tax liabilities	(7,089)
Net assets of the Yichang Tiantong Group	135,265
Loss on deconsolidation of Yichang Tiantong Group	(135,265)
	–
Net cash outflow arising on deconsolidation of Yichang Tiantong Group	
Cash and bank balances	(28,113)

(b) Impairment loss on amount due from Yichang Tiantong Group

As at 31 December 2021, the Group has amount due from Yichang Tiantong Group of approximately RMB13,017,000. Due to the loss of control over the Yichang Tiantong Group, an impairment loss of RMB13,017,000 had been provided in the Group's consolidated financial statements for the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

30 Notes to the consolidated statement of cash flows

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

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Profit before income tax	**28,325**	183,087
Adjustments for:		
Interest income *(Note 9)*	**(15,585)**	(15,611)
Interest expenses *(Note 9)*	**749**	8,620
Loss on disposals of property, plant and equipment *(Note 7)*	**–**	40
Loss on deconsolidation of Yichang Tiantong Group *(Note 29)*	**135,265**	–
Impairment on amount due from Yichang Tiantong Group *(Note 29)*	**13,017**	–
Depreciation of property, plant and equipment *(Note 7)*	**19,386**	23,048
Depreciation of right-of-use assets *(Note 7)*	**2,171**	2,441
Fair value changes on investment properties *(Note 6)*	**200**	342
Fair value changes of the contingent consideration payable	**(2,963)**	6,282
Provision for impairment of trade receivables	**977**	–
	181,542	208,249
Operating cash flows before movements in working capital		
Increase in restricted cash	**–**	(3,593)
(Increase)/decrease in inventories	**(513)**	14,982
Decrease in trade receivables	**3,446**	8,009
Decrease/(increase) in prepayments and other receivables	**6,406**	(38,490)
Increase/(decrease) in trade and bills payables	**12,488**	(9,290)
Increase in accruals and other payables	**19,016**	3,250
Decrease in amount due to the non-controlling interest	**–**	(103)
Cash generated from operations	**222,385**	183,014

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

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Net book amounts	**–**	52
Loss on disposals of property, plant and equipment	**–**	(40)
Proceeds from disposals of property, plant and equipment	**–**	12

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(c) Reconciliation of liabilities arising from financing activities

	Amount due to a substantial shareholder RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	**81,630**	**180,388**	**355**	**262,373**
Addition of lease	**–**	**–**	**712**	**712**
Financing cash flows	**25,178**	**(14,485)**	**(418)**	**10,275**
Foreign exchange	**(2,808)**	**(1,067)**	**–**	**(3,875)**
Deconsolidation of subsidiaries	**–**	**(72,550)**	**–**	**(72,550)**
At 31 December 2021	**104,000**	**92,286**	**649**	**196,935**

	Amount due to a substantial shareholder RMB'000	Bank borrowings 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)
At 31 December 2020	81,630	180,388	355	262,373

31 Contingencies

The Group did not have any material contingent liabilities as at 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32 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 2021, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Within 1 year	**350**	188

(b) As lessee

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term 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 2021 amounted to RMB4,404,000 (2020: RMB56,861,000).

33 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 2021 and 2020:

Name of the related parties	Principal business activities	Relationship with the Group
Wealthy Active Limited	Investment holding in BVI	A substantial Shareholder

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

33 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	
	2021	**2020**
	RMB'000	**RMB'000**
Amount due to a substantial shareholder		
– Wealthy Active Limited	**104,000**	81,630

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

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Interest paid to a substantial shareholder		
– Wealthy Active Limited	**177**	345

As at 31 December 2021, amount due to a substantial shareholder was unsecured, with interest at Hong Kong Interbank Offered Rate (2020: with interest at Hong Kong Interbank Offered Rate) and repayable on demand (2020: repayable on demand). The carrying amount of amount due to a substantial shareholder approximated its fair value and is denominated in HKD.

(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	
	2021	**2020**
	RMB'000	**RMB'000**
Basic salaries, allowances and benefits in kind	**4,608**	5,096
Social security costs	**107**	60
Defined contribution – MPF	**27**	32
	4,742	5,188

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34 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 fair value of the contingent consideration payable was 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 31 January 2018.

The movement of the consideration payable is summarised as follows:

	RMB'000
Contingent consideration payable	
At 1 January 2020	13,925
Fair value changes on contingent consideration payable	6,282
At 31 December 2020 and 1 January 2021	20,207
Fair value changes on contingent consideration payable	(2,963)
Settlement of contingent consideration payable	(17,244)
At 31 December 2021	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35 Statement of financial position and reserve movement of the Company

Statement of financial position of the Company

		As at 31 December	
		2021	2020
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**–**	–
Amount due from a subsidiary		**144,767**	159,204
		144,767	159,204
Current assets			
Cash and cash equivalents		**112**	77
		112	77
Total assets		**144,879**	159,281
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**151,848**	141,685
Reserves	*Note (a)*	**(13,389)**	(12,242)
Total equity		**138,459**	129,443
LIABILITIES			
Current liabilities			
Accrual		**2,042**	–
Bank borrowings		**4,378**	29,838
Total current liabilities		**6,420**	29,838
Total equity and liabilities		**144,879**	159,281

The statement of financial position of the Company was approved by the Board of Directors on 24 October 2022 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 2021

35 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	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	1,315	(2,080)	(8,987)	(9,752)
Loss and total comprehensive expense 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)
At 1 January 2021	**375**	**(2,080)**	**(10,537)**	**(12,242)**
Loss and total comprehensive expense for the year	**–**	**–**	**(1,147)**	**(1,147)**
Release of reserve upon share options lapsed	**(375)**	**–**	**375**	**–**
At 31 December 2021	**–**	**(2,080)**	**(11,309)**	**(13,389)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

36 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of directors and the chief executive disclosed pursuant to the applicable Listing Rule and the Hong Kong Companies Ordinance, is set out below:

For the year ended 31 December 2021:

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	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive directors					
Mr. Yang Ziyuan	120	1,032	144	49	1,345
Mr. Sun Xingyu	120	128	17	4	269
Mr. Wang Hu (resigned on 4 March 2021)	–	–	–	–	–
Non-executive directors					
Ms. Chu Yinghong	120	–	–	–	120
Mr. Wong Yim Pan	120	–	–	–	120
Mr. Liu Zhumeng (resigned on 4 March 2021)	–	–	–	–	–
Independent non-executive directors					
Mr. Liang Zhongkang	120	–	–	–	120
Prof. Lu Yuanping (resigned on 18 June 2022)	120	–	–	–	120
Mr. O'Yang Wiley (resigned on 23 April 2022)	120	–	–	–	120
Total	840	1,160	161	53	2,214

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

36 Benefits and interests of directors *(continued)*

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

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

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	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme 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 non-executive directors					
Mr. Liang Zhongkang	128	–	–	–	128
Prof. Lu Yuanping	128	–	–	–	128
Mr. O'Yang Wiley	128	–	–	–	128
Total	896	1,879	35	37	2,847

There was no arrangement during the years ended 31 December 2021 and 2020 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 2021

36 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 (2020: nil)

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2020: 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 (2020: 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 (2020: nil).

37 Subsequent event

Suspension of trading

The Company was not in a position to publish the unaudited annual results of the Group for the Year Under Review on 31 March 2022 in accordance with Rule 13.49(3) of the Listing Rules, due to the necessity to clarify certain issues in connection with the bank confirmations of certain subsidiaries.

Trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 am on 1 April 2022 as required under Rule 13.50 of the Listing Rules. Please see announcements of the Company dated 31 March 2022 and 8 April 2022 for details.

On 23 April 2022, the Board has resolved to establish an investigation committee ("Investigation Committee"), initially comprising (i) two independent non-executive Directors, namely Mr. Liang Zhongkang and Mr. Shiu Shu Ming; and (ii) an executive Director, namely Mr. Yeung Wan Yiu to investigate the unauthorized transaction(s). Please see announcement of the Company dated 29 April 2022 for details.

On 11 May 2022, the Company received a letter from the Stock Exchange setting out the certain resumption guidance for the resumption of trading in the shares of the Company ("Resumption Guidance"). Please see announcement of the Company dated 12 May 2022 for details.

PricewaterhouseCoopers ("PwC") has resigned as auditor of the Company with effect from 16 May 2022 as PwC has not been able to obtain any information nor satisfactory explanations in connection with the audit matters and is not able to determine and perform the necessary additional audit procedures and the time required to finalise the audit for the Year under Review. Elite Partners CPA Limited has been appointed as the new auditor to fill a casual vacancy following PwC's resignation. Please see announcement of the Company dated 16 May 2022 for details.

The Company announced the Resumption Guidance of the Stock Exchange and the Company's resumption plan with details of actions that the Company has taken or intends to take as well as the expected timeframe in fulfilling the Resumption Guidance to resume trading in the Shares. Please see announcement of the Company dated 30 June 2022 for details.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37 Subsequent event *(continued)*

Suspension of trading *(continued)*

The Investigation Committee had on 18 May 2022 engaged Mazars Certified Public Accountants LLP (the "Forensic Accountant") as the Company's forensic accountant to conduct an independent forensic investigation into the unauthorized transaction(s). On 29 July 2022, the Company received a forensic investigation report from the Forensic Accountant with a summary of key findings. Please see announcement of the Company dated 29 July 2022 for details.

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

The Directors has resolved that it is appropriate to deconsolidate the financial results of Tiantong Yichang and Tiantong Yuanan (the "Subsidiaries") from the Group's financial statements with effect from 31 December 2021. Despite the series of actions taken by the Company as disclosed, the Company has failed to regain and recover the control of the Subsidiaries. In view of such circumstances, the Board has resolved that the Subsidiaries be deconsolidated ("Deconsolidation") effective from 31 December 2021 for the reason that the Company has lost control of the Subsidiaries. For details, please see announcement of the Company dated 10 August 2022.

Subsequent to the publication of the Announcements, the Company had further discussions with auditors Elite Partners CPA Limited. The Auditor has been unable to carry out all necessary procedures for the audit of the accounts of the Subsidiaries for the Reporting Period (namely, the financial year ended 31 December 2021) due to the loss of control of the Subsidiaries by the Company and the lack of collaboration with the Auditor by the staff of the Subsidiaries. In view of the situation, the Company considers, and the Auditor concurs, the exclusion of the unaudited management accounts of the Subsidiaries from the Group's account for the Reporting Period will more fairly present the performance and financial position of the Company and its subsidiaries excluding the Subsidiaries (the "Remaining Group"). The Deconsolidation would take effect from 1 January 2021 rather than from 31 December 2021 as previously stated. Please see announcement of the Company dated 19 August 2022 for details.

The issues concerning the Deconsolidation are elaborated in notes 2.2 and 29 to the consolidated financial statements above.

Voluntary Winding Up of a Subsidiary

Following the Deconsolidation, on 10 August 2022, Strong Won Investment Limited ("Strong Won BVI"), the sole shareholder of Strong Won Investment Hong Kong Limited ("Strong Won HK") resolved to wind up Strong Won HK by way of member's voluntary winding-up under the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong). Strong Won BVI and Strong Won HK are indirect wholly-owned subsidiaries of the Company. Dr. Wan Ho Yuen Terence and Mr. Yeung Chun Wa of Zhonghui Anda CPA Limited have been appointed as the joint voluntary liquidators of Strong Won HK. Apart from holding 100% equity interest in Tiantong Yichang (one of the Subsidiaries which in turn holds 100% equity interest in Tiantong Yuanan), Strong Won HK has no other major assets or operation. For details, please see announcement of the Company dated 10 August 2022.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

37 Subsequent event *(continued)*

Change of corporate positions and committees

Mr. Shiu Shu Ming has been appointed as an independent non-executive director, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company with effect from 6 April 2022. Please see announcement of the Company dated 6 April 2022 for details.

Mr. O'Yang Wiley has resigned as an independent non-executive director, the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee with effect from 12 May 2022 due to his personal commitment. Mr. Shiu Shu Ming has been appointed as the chairman of the Audit Committee with effect from 12 May 2022. Please see announcement of the Company dated 14 April 2022 for details.

Mr. Yeung Wan Yiu has been appointed as an executive director with effect from 21 April 2022. Please see announcement of the Company dated 21 April 2022 for details.

Mr. O'Yang served a notice on 23 April 2022 that the effective dates of Mr. O'Yang's cessation as chairman of the Audit Committee and member of each of the Remuneration Committee and the Nomination Committee has been revised from 12 May 2022 to 23 April 2022, while the appointment of Mr. Shiu Shu Ming as chairman of the Audit Committee would be effective on the said date (i.e. 23 April 2022). Please see announcement of the Company dated 25 April 2022 for details.

Prof. Lu Yuanping has resigned as an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 18 June 2022 due to her other work commitment. Please see announcement of the Company dated 23 May 2022 for details.

Prof. Ye Xingqian has been appointed as an independent non-executive director, a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Investigation Committee with effect from 18 June 2022. Please see announcement of the Company dated 17 June 2022 for details.

Mr. Sun Xingyu has ceased to be an authorised representative of the Company pursuant to Rule 3.05 of the Listing Rules, and Mr. Yeung Wan Yiu was appointed in his stead both with effect from 20 July 2022. Please see announcement of the Company dated 20 July 2022 for details.

Change of Address of Hong Kong Branch Share Registrar and Transfer Office

With effect from 15 August 2022, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited, will change its address from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong.

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				
	2021	**2020**	**2019**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Revenue	**871,578**	850,250	1,062,767	940,507	745,541
Profit before tax	**28,325**	183,087	225,021	200,380	160,539
Income tax expense	**(29,264)**	(33,952)	(55,960)	(52,853)	(37,258)
Profit for the year	**(939)**	149,135	169,061	147,527	123,281

ASSETS AND LIABILITIES

	As at 31 December				
	2021	**2020**	**2019**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Assets					
Non-current assets	**566,181**	525,908	428,918	419,552	345,525
Current assets	**729,058**	838,320	762,933	670,270	492,635
Total assets	**1,295,239**	1,364,228	1,191,851	1,089,822	838,160
Equity and liabilities					
Total equity	**1,032,937**	1,016,485	894,102	766,067	653,912
Non-current liabilities	**6,783**	4,590	10,384	43,085	–
Current liabilities	**255,519**	343,153	287,365	280,670	184,248
Total liabilities	**262,302**	347,743	297,749	323,755	184,248
Total equity and liabilities	**1,295,239**	1,364,228	1,191,851	1,089,822	838,160

Corporate Information

Board of Directors

Executive Directors

Mr. Yang Ziyuan *(Chairman and Chief Executive Officer)*
Mr. Sun Xingyu
Mr. Yeung Wan Yiu (appointed on 21 April 2022)
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
Mr. Shiu Shu Ming (appointed on 6 April 2022)
Mr. Ye Xingqian (appointed on 18 June 2022)
Mr. O'Yang Wiley (resigned on 12 May 2022)
Prof. Lu Yuanping (resigned on 18 June 2022)

Audit Committee

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

Nomination Committee

Mr. Yang Ziyuan *(Chairman)*
Mr. Liang Zhongkang
Mr. Shiu Shu Ming (appointed on 6 April 2022)
Mr. Ye Xingqian (appointed on 18 June 2022)
Mr. Wang Hu (resigned on 4 March 2021)
Mr. O'Yang Wiley (resigned on 23 April 2022)
Prof. Lu Yuanping (resigned on 18 June 2022)

Remuneration Committee

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

Strategic Development Committee

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

Company Secretary

Mr. Ho Ho Tung Armen

Authorised Representatives

Mr. Ho Ho Tung Armen
Mr. Yeung Wan Yiu

Principal Place of Business in China

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

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

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Tortola
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Legal Adviser as to Hong Kong Law

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Units 1302-3 & 1802
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Legal Adviser as to PRC Law

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China Central Place
77 Jianguo Road
Chaoyang District
Beijing 100025
the PRC

Principal Bankers

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

Auditor

Elite Partners CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
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Tsim Sha Tsui, Kowloon,
Hong Kong

Company's Website

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