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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

	For the year ended 31 December	
	2016 RMB million	2015 RMB million
Key financial data		
Revenue	653.5	553.6
Gross profit	199.4	172.0
Profit attributable to equity holders of the Company	128.8	96.9
Gross profit margin	30.5%	31.1%
Net profit margin	19.7%	17.5%
Interim and proposed final dividend (HK\$ per ordinary share)	0.041	0.03

As compared with 2015:

- Total revenue increased by 18.1% to RMB653.5 million
- Revenue from own brand business surged by 87.3% to RMB187.9 million
- Gross profit increased by 15.9% to RMB199.4 million
- Profit attributable to equity holders increased by 32.9% to RMB128.8 million
- Gross profit margin stated at 30.5%
- Net profit margin stated at 19.7%
- Proposed final dividend of HK\$0.025 per share
- Interim and proposed final dividend in 2016 reached HK\$0.041 per share
- Dividend yield* hit 5.6%

*Note: Calculated based on dividend per share (being the interim and proposed final dividend) in 2016 divided by the last closing share price before this announcement date.

The board of directors (the “Director” or the “Board”) of Tianyun International Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015. The results have been reviewed by the audit committee of the Company.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

		Year ended 31 December	
		2016	2015
	Note	RMB'000	RMB'000
Revenue	5	653,474	553,618
Cost of sales		<u>(454,102)</u>	<u>(381,628)</u>
Gross profit		199,372	171,990
Other income		97	345
Selling and distribution expenses		(13,201)	(11,390)
General and administrative expenses		<u>(17,887)</u>	<u>(30,329)</u>
Operating profit		168,381	130,616
Finance income		207	266
Finance costs		<u>(2,230)</u>	<u>(1,865)</u>
Finance costs – net	6	(2,023)	(1,599)
Profit before income tax		166,358	129,017
Income tax expense	7	<u>(37,582)</u>	<u>(32,100)</u>
Profit for the year attributable to equity holders of the Company		128,776	96,917
Total comprehensive income for the year attributable to equity holders of the Company		128,776	96,917
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB cents)			
– Basic earnings per share	8	<u>12.93</u>	<u>11.12</u>
– Diluted earnings per share	8	<u>12.93</u>	<u>11.12</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		As at 31 December	
		2016	2015
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Leasehold land and land use rights	<i>10</i>	58,425	59,874
Property, plant and equipment	<i>11</i>	220,963	126,925
Prepayments		42,000	45,515
		<u>321,388</u>	<u>232,314</u>
Current assets			
Inventories		65,119	56,220
Trade and other receivables	<i>12</i>	85,190	71,036
Cash and cash equivalents		224,001	226,995
		<u>374,310</u>	<u>354,251</u>
Total assets		<u>695,698</u>	<u>586,565</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	<i>13</i>	236,114	248,057
Reserves		330,046	241,225
Total equity		<u>566,160</u>	<u>489,282</u>
LIABILITIES			
Non-current liabilities			
Other borrowings		13,677	–
Total non-current liabilities		<u>13,677</u>	<u>–</u>
Current liabilities			
Trade payables	<i>14</i>	14,731	9,175
Accruals and other payables		16,800	15,540
Amount due to a related company		5	5
Bank and other borrowings		83,516	68,000
Current income tax liabilities		809	4,563
Total current liabilities		<u>115,861</u>	<u>97,283</u>
Total equity and liabilities		<u>695,698</u>	<u>586,565</u>

NOTES:

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

3 ACCOUNTING POLICIES

(a) The following amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016

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

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

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

		Effective for annual periods beginning on or after
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKAS 7 (Amendments)	Statement of cash flows	1 January 2017
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

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

4 SEGMENT INFORMATION

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

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

The Company is domiciled in the British Virgin Islands while the Group operates its business in the PRC. For the year ended 31 December 2016, the Group's revenue of RMB596,701,000 (2015: RMB493,201,000) was generated from customers in the PRC, and the Group's revenue of RMB56,773,000 (2015: RMB60,417,000) was generated from overseas customers. All non-current assets were located in the PRC.

Segment assets and liabilities

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

Information about major customers

External customers which contribute over 5% of total revenue of the Group for any of the years ended 31 December 2016 and 2015 are as follows:

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

5 REVENUE

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

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Domestic sales	596,701	493,201
Direct overseas sales	56,773	60,417
Total sale of goods	653,474	553,618

6 FINANCE COSTS – NET

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

Note:

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

7 INCOME TAX EXPENSE

British Virgin Islands (“BVI”) income tax

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

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate at 16.5% for the years ended 31 December 2016 and 2015 on the estimated assessable profit for the years. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years.

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% of the profits for the PRC statutory financial reporting purpose for the years ended 31 December 2016 and 2015, adjusted for those items which are not assessable or deductible for the PRC corporate income tax purpose. Certain subsidiaries of the Group are entitled to preferential tax incentives in the cities where the subsidiary is located.

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

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax:		
PRC corporate income tax	<u>37,582</u>	<u>32,100</u>

8 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2016	2015
Profit attributable to equity holders of the Company (<i>RMB\$'000</i>)	128,776	96,917
Weighted average number of ordinary shares in issue (<i>thousand</i>)	<u>996,266</u>	<u>871,918</u>
Basic earnings per share (<i>RMB cents</i>)	<u>12.93</u>	<u>11.12</u>

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

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2016 and 2015, the Group has share options which may result in dilutive potential ordinary shares. Its calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share prices of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per shares for the years ended 31 December 2016 and 2015 equal basic earnings per share as the exercise of outstanding share options would be anti-dilutive.

9 DIVIDENDS

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

On 27 March 2017, the board of directors proposed a final dividend of in respect of the year ended 31 December 2016 of HK\$24,437,000, representing HK\$0.025 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. This proposed final dividend is not reflected as a dividend payable as of 31 December 2016, but will be recorded as a distribution of reserve for the year ending 31 December 2017.

10 LEASEHOLD LAND AND LAND USE RIGHTS

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

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	59,874	–
Addition	–	60,598
Amortisation	<u>(1,449)</u>	<u>(724)</u>
At 31 December	<u>58,425</u>	<u>59,874</u>

As at 31 December 2016 and 2015, the Group's leasehold land and land use rights were pledged to secure bank borrowing granted to the Group.

11 PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2015								
Cost	–	41,141	70	19,634	2,709	2,380	25,797	91,731
Accumulated depreciation	–	(8,982)	(55)	(7,182)	(1,226)	(1,772)	–	(19,217)
Net book amount	–	32,159	15	12,452	1,483	608	25,797	72,514
Year ended 31 December 2015								
Opening net book amount	–	32,159	15	12,452	1,483	608	25,797	72,514
Additions	19,402	4,286	56	5,845	1,154	1,586	27,325	59,654
Transfer	–	–	–	1,787	–	–	(1,787)	–
Disposals	–	–	–	(126)	–	–	–	(126)
Depreciation	(461)	(2,009)	(7)	(2,095)	(277)	(268)	–	(5,117)
Closing net book amount	18,941	34,436	64	17,863	2,360	1,926	51,335	126,925
At 31 December 2015								
Cost	19,402	45,427	126	26,828	3,863	3,966	51,335	150,947
Accumulated depreciation	(461)	(10,991)	(62)	(8,965)	(1,503)	(2,040)	–	(24,022)
Net book amount	18,941	34,436	64	17,863	2,360	1,926	51,335	126,925
Year ended 31 December 2016								
Opening net book amount	18,941	34,436	64	17,863	2,360	1,926	51,335	126,925
Additions	–	3,705	112	17,008	1,299	818	80,658	103,600
Transfer	34,079	8,916	–	16,827	–	500	(60,322)	–
Disposals	–	–	–	–	(87)	–	–	(87)
Depreciation	(1,807)	(2,436)	(29)	(4,277)	(419)	(507)	–	(9,475)
Closing net book amount	51,213	44,621	147	47,421	3,153	2,737	71,671	220,963
At 31 December 2016								
Cost	53,481	58,046	239	60,663	4,590	5,285	71,671	253,975
Accumulated depreciation	(2,268)	(13,425)	(92)	(13,242)	(1,437)	(2,548)	–	(33,012)
Net book amount	51,213	44,621	147	47,421	3,153	2,737	71,671	220,963

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

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

12 TRADE AND OTHER RECEIVABLES

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

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

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

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 30 days	55,431	42,941
31 to 60 days	26,499	26,624
61 to 90 days	733	–
	82,663	69,565

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

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

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Overdue		
Less than 30 days	<u>733</u>	<u>–</u>

13 SHARE CAPITAL

Authorised ordinary share

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

Issued and fully paid ordinary share

	Number of ordinary share	Share capital HK\$'000	Equivalent share capital RMB'000
As at 1 January 2014	<u>100</u>	<u>1</u>	<u>1</u>
At 31 December 2014 and 1 January 2015	100	1	1
Capitalisation issue (<i>Note (a)</i>)	749,999,900	7,500	6,000
Issuance of ordinary shares for global offering (<i>Note (b)</i>)	250,000,000	320,000	256,000
Share issuance cost	<u>–</u>	<u>(17,429)</u>	<u>(13,944)</u>
As at 31 December 2015 and 1 January 2016	<u>1,000,000,000</u>	<u>310,072</u>	<u>248,057</u>
Buy-back of shares (<i>Note (d)</i>)	<u>(17,000,000)</u>	<u>(13,763)</u>	<u>(11,943)</u>
As at 31 December 2016	<u>983,000,000</u>	<u>296,309</u>	<u>236,114</u>

Note:

(a) Capitalisation issue

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

- (b) Issuance of ordinary shares for global offering

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

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

- (d) Buy-back of shares

During the year ended 31 December 2016, the Company repurchased 20,424,000 of its own ordinary shares on the Stock Exchange at a weighted average price of approximately RMB0.69 per share, for a total consideration of approximately RMB14,137,000. 17,000,000 ordinary shares were cancelled during the year and the consideration of RMB11,943,000 was charged to share capital, while the remaining 3,424,000 ordinary shares were cancelled subsequently in January 2017 and the consideration of RMB2,194,000 was charged to capital reserve within shareholder's equity.

14 TRADE PAYABLES

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Trad payables	<u>14,731</u>	<u>9,175</u>

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

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 30 days	11,184	7,987
31 to 90 days	2,701	861
91 to 180 days	724	327
181 to 365 days	122	–
	<u>14,731</u>	<u>9,175</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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

With our commitment to provide the customers with healthy and safe products, we have always been dedicated to follow stringent international production standards and are accredited with BRC (A+), IFS Food (High), HALAL, SC, KOSHER and ISO22000 in respect of our production facilities, quality control and management during the year ended 31 December 2016 (the “Year under Review”).

Business Review

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

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

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

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

Own Brand Product Sales Strategy

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

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

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

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

OEM Sales Strategy

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

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

Trading of Fresh Fruit

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

Expansion of Production Facilities

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

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

Research and development and promotion

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

- (i) Stewed pear soup with crystal sugar: The new functional products are mainly promoted in hotels and restaurants, and entertainment venues. The Group has included a variable two-dimensional code which each unit can be swept the code twice, one of which will be rewarded to sales staff with fixed shares, and the other will be rewarded to consumers with unfixed shares, to attract more consumption. By scanning the code, the Group can establish a sales database to analyze the sales amount, sales place and customer groups, with which the Group can develop an effective product promotion programs and consider as reference for promotion of other products;
- (ii) Fruit puree products: The Group has launched the fruit puree products and received good market response. The Group will conduct free tasting activities more frequently, and let customers freely try the existing and new products together in order to penetrate to the market quickly;
- (iii) Upgrading fruit sorbet products: The Group is working with the Japanese partner team to communicate the technology and develop an upgraded fruit sorbet product. This project is now in good progress;
- (iv) Fruit jelly products: The Group has enlarged its product sector to the production and sale of fruit jelly. We have successfully developed a variety of fruit jelly, and sold them both on an OEM basis and under its own brands; and
- (v) Online tailor-made products: The Group has launched online customized products to expand our diversified services.

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

Prospect and Strategies

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

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

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

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

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

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

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

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

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

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

Financial Review

Revenue

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

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

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

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

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

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

Gross profit and gross profit margin

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

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

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

Selling and distribution expenses

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

General and administrative expenses

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

Excluding the one-off listing expenses (2015: approximately RMB20.5 million), general and administrative expenses increased from RMB9.8 million to RMB17.9 million, representing an increase of approximately RMB8.1 million or 82.7% over the year ended 31 December 2015. The overall increase was mainly attributable to the administrative staff costs, professional fees, and agency and consulting fees after listing and additional depreciation arisen from facilities of No. 3 & 4 workshops and sewage treatment system, which was partly offset by the exchange gain.

Income tax expenses

Income tax expenses represent the PRC enterprise income tax of our PRC subsidiaries. For the year ended 31 December 2016, our income tax expenses increased by RMB5.5 million, or approximately 17.1%, to RMB37.6 million from RMB32.1 million for the year ended 31 December 2015. The increase in the income tax expenses was primarily due to the increase in our assessable profit during the year.

Net profit and net profit margin

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

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

Liquidity, financial resources and capital resources

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

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

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

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

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

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

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

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

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

The Group has not experienced any material difficulties or adverse effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2016.

Capital structure

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

Bank and other borrowings, and finance costs

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

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

Pledged assets

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

Capital expenditure

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

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

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

Interest rate risk

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

Foreign currency exposure

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

Human resources

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

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

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

Commitments and contingent liabilities

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

Material acquisitions and disposals

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year ended 31 December 2016, pursuant to the general mandate given to the Directors of the Company, the Company repurchased and cancelled an aggregate of 17,000,000 own ordinary shares through the Stock Exchange at an aggregate consideration of approximately HK\$13.8 million. The repurchases were effected by the Directors for the enhancement of shareholders’ value.

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 consolidated financial statements for the year ended 31 December 2016.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement. The Audit Committee has reviewed the annual results for the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. During the Year under Review, the Company has complied with the relevant provisions of the CG Code, save and except code provision A.2.1 of the CG Code.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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 announcement, the respective use of the net proceeds is as follows:

	Available RMB million Equivalent	Used RMB million Equivalent	Unused RMB million Equivalent
Capital expenditure on new production facilities	113.4	42.0	71.4
Expand distribution and sales network	34.0	34.0	–
Enhance our brand awareness and promote the on-line shopping platform	34.0	4.8	29.2
Enhance our research and development capabilities	11.3	11.3	–
Enhance the information technology systems and infrastructure	11.3	11.3	–
Working capital and general corporate purposes	22.7	22.7	–

DIVIDENDS

The Board has proposed a final dividend of HK\$0.025 per share for the year ended 31 December 2016, to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 25 May 2017 (the record date). Subject to the approval of the Company's shareholders at the 2017 AGM, the final dividend will be paid on or about 15 June 2017.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from 11 May 2017 to 16 May 2017 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2017 AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 10 May 2017.

For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from 23 May 2017 to 25 May 2017 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 22 May 2017.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.tianyuninternational.com. The 2016 annual report of the Company will be despatched to shareholders of the Company and published on the aforesaid websites on or before 10 April 2017.

By Order of the Board
Tianyun International Holdings Limited
Yang Ziyuan
Chairman

Hong Kong, 27 March 2017

As at the date of this announcement, the Board of the Company comprises (i) Mr. Yang Ziyuan and Mr. Sun Xingyu as the executive Directors; (ii) Ms. Chu Yinghong and Mr. Wong Yim Pan as the non-executive Directors; and (iii) Mr. Liang Zhongkang, Mr. Tsang Yuen Wai and Ms. Hui Yung Yung Janet as the independent non-executive Directors.