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 2017

HIGHLIGHTS

	For the year ended 31 December	
	2017	2016
	HK$	HK$
Earnings per share[Note 1]	**0.151**	0.145
Interim and proposed final dividend per ordinary share	**0.042**	0.041

- Earnings per share[Note 1] increased 4.1% from HK$0.145 in 2016 to HK$0.151 in 2017
- Proposed final dividend of HK$0.026 per share
- Full year total dividends increased by 2.4% to HK$0.042 and dividend yield[Note 2] hit 3.0%

	RMB million	RMB million
Key financial data		
Revenue	**745.5**	653.5
Gross profit	**204.3**	199.4
Net profit	**123.6**	128.8
Adjusted net profit[Note 3]	**126.4**	115.4

As compared with 2016:
- Total revenue increased by 14.1% to RMB745.4 million
- Revenue from own brand business surged by 71.4% to RMB322.1 million
- Gross profit increased by 2.5% to RMB204.3 million
- Adjusted net profit[Note 3] increased by 9.5% to RMB126.4 million
- Net profit stated at RMB123.6 million

Note 1: Expressed in HK$ using the respective year end RMB versus HKD exchange rates. Earnings per share (expressed in RMB) was 0.129 and 0.126 in 2016 and 2017 respectively.

Note 2: Calculated based on divided per share (being the interim and proposed final dividend) in 2017 divided by the last closing share price before this announcement date.

Note 3: Calculated based on net profit excluding release of provision for social insurance contributions, foreign exchange difference, brand building expenses, fair value difference on convertible bond and investment properties, and transaction costs for issuance of convertible bond.

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 2017 together with the comparative figures for the year ended 31 December 2016. The results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December	
	Note	**2017**	2016
		RMB'000	*RMB'000*
Revenue	*5*	**745,541**	653,474
Cost of sales		**(541,283)**	(454,102)
Gross profit		**204,258**	199,372
Other income		**780**	97
Other gains		**4,635**	–
Selling and distribution expenses		**(17,014)**	(13,201)
General and administrative expenses		**(28,479)**	(17,887)
Operating profit		**164,180**	168,381
Finance income	*6*	**744**	207
Finance costs	*6*	**(4,385)**	(2,230)
Finance costs – net		**(3,641)**	(2,023)
Profit before income tax		**160,539**	166,358
Income tax expense	*7*	**(37,258)**	(37,582)
Profit for the year attributable to equity holders of the Company		**123,281**	128,776
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Revaluation gain arising from transfer of property, plant and equipment to investment properties		**303**	–
Other comprehensive income for the year, net of tax		**303**	–
Total comprehensive income for the year attributable to equity holders of the Company		**123,584**	128,776
Earnings per share for profit attributable to equity holders of the Company for the year *(expressed in RMB cents)*			
– Basic earnings per share	*8*	**12.61**	12.93
– Diluted earnings per share	*8*	**12.54**	12.93

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		As at 31 December	
	Note	**2017**	2016
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights	*10*	**56,976**	58,425
Property, plant and equipment	*11*	**199,694**	220,963
Prepayments		**54,855**	42,000
Investment properties	*12*	**34,000**	–
		345,525	321,388
Current assets			
Inventories		**75,727**	65,119
Trade and other receivables	*13*	**107,741**	85,190
Cash and cash equivalents		**309,167**	224,001
		492,635	374,310
Total assets		**838,160**	695,698
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*14*	**232,459**	236,114
Reserves		**421,453**	330,046
Total equity		**653,912**	566,160
LIABILITIES			
Non-current liabilities			
Other borrowings		**–**	13,677
Total non-current liabilities		**–**	13,677
Current liabilities			
Trade payables	*15*	**25,178**	14,731
Accruals and other payables		**15,947**	16,800
Amount due to a related company		**–**	5
Bank and other borrowings		**81,677**	83,516
Convertible bond	*16*	**59,535**	–
Current income tax liabilities		**1,911**	809
Total current liabilities		**184,248**	115,861
Total equity and liabilities		**838,160**	695,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Tianyun International Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacturing and trading of processed fruit products and fresh fruits.

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

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

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

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 as modified by the valuation of investment properties (Note 12) and convertible bond (Note 16), which are stated at fair value.

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

3 ACCOUNTING POLICIES

(a) Amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

- Amendments to HKAS 7, "Statement of cash flows"
- Amendments to HKAS 12, "Income taxes"
- Amendments to HKFRS 12, " Disclosure of interest in other entities"

The adoption of these amendments did not have any impact on the current year or any prior period. The amendments to HKAS 7 require disclosure of change in liabilities arising from financing activities.

(b) New and amended standards that have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted

- Amendments to HKAS 28, "Investment in associates and joint ventures"[1]
- Amendments to HKAS 40, "Transfer of investment property"[1]
- Amendments to HKFRS 1, "First adoption of HKFRS"[1]
- Amendments to HKFRS 2, "Classification and measurement of share-based payment transactions"[1]
- Amendments to HKFRS 4, "Insurance contract" [1]
- HKFRS 9, "Financial instruments"[1]
- Amendments to HKFRS 10 and HKAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"[3]
- HKFRS 15, "Revenue from contracts with customers"[1]
- HKFRS 16, "Leases"[2]
- HK (IFRIC) 22, "Foreign currency transactions and advance consideration"[1]
- HK (IFRIC) 23, "Uncertainty over income tax treatments"[2]

[1] effective for annual period beginning on or after 1 January 2018
[2] effective for annual period beginning on or after 1 January 2019
[3] to be determined

(i) HKFRS 9 Financial instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in fair value through other comprehensive income ("FVOCI"), provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in FVOCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in FVOCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

Based on an analysis of the Group's financial instruments as at 31 December 2017, the directors do not expect the adoption of HKFRS 9 to have a significant impact on the classification, measurement and recognition of the Group's financial assets and financial liabilities.

HKFRS 9 also introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL in recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

Based on the historical experience of the Group, the default rates of the outstanding balances with customers are low. Hence, the directors of the Company do not expect that the application of HKFRS 9 would result in a significant impact on the Group's impairment provisions.

HKFRS 9 must be applied for financial year commencing on or after 1 January 2018. The Group intends to apply the new rules retrospectively from 1 January 2018.

(ii) HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18, Revenue, HKAS 11, Construction contracts and HK(IFRIC)-Interpretation 13, Customer Loyalty Programmes. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgement and estimates.

Currently, revenue arising from the sales of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or services are regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an assets (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sales of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

HKFRS 15 must be applied for financial year commencing on or after 1 January 2018. Management has performed a preliminary assessment and expects that the application of HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations based on the current business model.

(iii) HKFRS 16 Leases

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The Group is a lessee of various properties which are currently classified as operating leases. Such leases of the Group are not reflected in the statement of financial position and only disclosed in the Group's future operating lease commitments. As at 31 December 2017, the Group's future aggregate minimum lease payments under non-cancellable operating lease are RMB784,000.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the statement of financial position. Instead, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Company's statement of financial position. Short-terms leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation.

The new standard will therefore result in an increase in assets and financial liabilities in the statement of financial position. As for the financial performance impact in the statement of comprehensive income, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase. The new standard is not expected to apply until the financial year 2019.

The directors do not anticipate that the adoption of other new and revised HKFRSs will have material impact.

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 2017, the Group's revenue of RMB670,055,000 (2016: RMB596,701,000) was generated from domestic customers in the PRC paid in RMB, and the Group's revenue of RMB75,486,000 (2016: RMB56,773,000) was generated from direct overseas customers paid in foreign currencies. 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 2017 and 2016 are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Customer A *(Note)*	**54,989**	N/A
Customer B	**50,183**	50,294
Customer C	**34,782**	36,925
Customer D *(Note)*	**N/A**	34,666
Customer E *(Note)*	**N/A**	32,279
Customer F *(Note)*	**N/A**	30,222

Note:

The corresponding revenue did not contribute over 5% of total revenue of the Group for the respective year.

5 REVENUE

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue		
Domestic sales	**670,055**	596,701
Direct overseas sales	**75,486**	56,773
Total sale of goods	**745,541**	653,474

6 FINANCE COSTS – NET

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Finance income		
– Interest income on short-term bank deposits	**744**	207
Finance costs		
– Interest expenses on the loans from a leasing company	**(1,710)**	(1,196)
– Interest expenses on bank borrowings	**(3,075)**	(3,172)
– Transaction costs for issuance of convertible bond	**(1,533)**	–
– Less: amounts capitalised on qualifying assets *(Note)*	**1,933**	2,138
	(4,385)	(2,230)
Finance costs – net	**(3,641)**	(2,023)

Note:

During the year, the Group has capitalised borrowing costs amounting to RMB1,933,000 (2016: RMB2,138,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.4% per annum (2016: 5.3% 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 2017 and 2016 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 2017 and 2016, 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	
	2017	2016
	RMB'000	*RMB'000*
Current income tax:		
PRC corporate income tax	**37,258**	37,582

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 in issue during the years.

	Year ended 31 December	
	2017	2016
Profit attributable to equity holders of the Company *(RMB$'000)*	**123,281**	128,776
Weighted average number of ordinary shares in issue *(thousand)*	**977,556**	996,266
Basic earnings per share *(RMB cents)*	**12.61**	12.93

(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. The Company has two categories of dilutive potential ordinary shares: convertible bond and share options. The convertible bond is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the fair value changes less the tax effect. 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.

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit attributable to shareholders of the Company for calculation of basic earnings per share	**123,281**	128,776
Effect of dilutive potential shares:		
Convertible bond assumed to be converted at the date of issuance	**(135)**	–
Profit for calculation of diluted earnings per share	**123,146**	128,776

	Number of shares	
	2017	2016
Weighted average number of shares for calculation of basic earnings per share	**977,556**	996,266
Effect of dilutive potential shares:		
Convertible bond assumed to be converted at the date of issuance	**4,233**	–
Share options of the Company assumed to be exercised	**399**	–
Weighted average number of shares for calculation of diluted earnings per share	**982,188**	996,266
Diluted earnings per share *(RMB cents)*	**12.54**	12.93

9 DIVIDENDS

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Final dividend paid during the year:		
2016 final dividend HK$0.025 per ordinary share	**21,685**	–
Interim dividend declared and paid during the year:		
2017 interim dividend of HK$0.016 per ordinary share (2016: HK$0.016 per ordinary share)	**13,291**	13,819
Final dividend declared after the year end:		
2017 final dividend of HK$0.026 per ordinary share (2016: HK$0.025 per ordinary share)	**20,422**	21,626

The Board has declared that an interim dividend of HK1.6 cents per share for the six months ended 30 June 2017 to shareholders whose names appear in the Register of Members on 12 October 2017. On 29 March 2018, the board of directors proposed a final dividend of in respect of the year ended 31 December 2017 of approximately RMB20.4 million (2016: RMB21.6 million), representing HK$0.026 per ordinary share (2016: 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 2017, but will be recorded as a distribution of reserve for the year ending 31 December 2018.

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	
	2017	2016
	RMB'000	*RMB'000*
At 1 January	**58,425**	59,874
Amortisation	**(1,449)**	(1,449)
At 31 December	**56,976**	58,425

As at 31 December 2017 and 2016, 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	Leasehold improvements	Furniture and fixtures	Plant and machinery	Motor vehicles	Office and computer equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016								
Cost	19,402	45,427	126	26,828	3,863	3,966	51,335	150,957
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
Year ended 31 December 2017								
Opening net book amount	**51,213**	**44,621**	**147**	**47,421**	**3,153**	**2,737**	**71,671**	**220,963**
Additions	**8,184**	**7,500**	**–**	**–**	**387**	**749**	**4,366**	**21,186**
Transfer	**33,411**	**8,425**	**–**	**3,334**	**–**	**–**	**(74,367)**	**(29,197)**
Disposals	**–**	**–**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Depreciation	**(3,528)**	**(2,813)**	**(32)**	**(5,727)**	**(445)**	**(711)**	**–**	**(13,256)**
Closing net book amount	**89,280**	**57,733**	**115**	**45,028**	**3,095**	**2,773**	**1,670**	**199,694**
At 31 December 2017								
Cost	**95,076**	**73,971**	**238**	**63,997**	**4,978**	**6,000**	**1,670**	**245,930**
Accumulated depreciation	**(5,796)**	**(16,238)**	**(123)**	**(18,969)**	**(1,883)**	**(3,227)**	**–**	**(46,236)**
Net book amount	**89,280**	**57,733**	**115**	**45,028**	**3,095**	**2,773**	**1,670**	**199,694**

As at 31 December 2017, the net book value of buildings of RMB17,655,000 (2016: RMB18,605,000) and plant and machinery, office and computer equipment and furniture and fixtures of RMB24,790,000 (2016: RMB28,890,000) 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 mainly comprises the new integrated development centre, plants and production lines being constructed in the PRC. On 1 July 2017, such balance of construction in progress was transferred to building, leasehold improvements, plant and machinery, and investment properties.

12 INVESTMENT PROPERTIES

	As at 31 December 2017 *RMB'000*
Opening balance at 1 January	–
Transfer from property, plant and equipment	**29,500**
Fair value change	**4,500**
	34,000

Amounts recognised in profit or loss for investment properties	**Year ended 31 December 2017** *RMB'000*
Rental income	**267**
Fair value gain recognised	**4,500**

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	5,733	Land use rights for a term expired 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.

13 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**99,745**	82,663
Prepayments	**59,397**	42,943
Other receivables	**3,454**	1,584
	162,596	127,190
Less: non-current portion:		
Prepayments for land use rights	**(42,000)**	(42,000)
Prepayments paid for business acquisition	**(12,855)**	–
Current portion	**107,741**	85,190

The Group's credit terms granted to wholesale customers generally ranged from 30 to 120 days.

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Less than 30 days	**58,300**	55,431
31 to 60 days	**39,279**	26,499
61 to 90 days	**2,166**	733
	99,745	82,663

As at 31 December 2017, trade receivables of RMB645,000 were past due but not yet impaired (2016: RMB733,000). 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 based on due date is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Overdue		
Less than 30 days	**200**	733
31 to 60 days	**327**	–
91 to 120 days	**118**	–

14 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**	**Equivalent share capital**
		HK$'000	***RMB'000***
As at 1 January 2015	100	1	1
At 31 December 2015 and 1 January 2016	1,000,000,000	310,072	248,057
Buy-back of shares *(Note)*	(17,000,000)	(13,763)	(11,943)
As at 31 December 2016 and 1 January 2017	**983,000,000**	**296,309**	**236,114**
Buy-back of shares *(Note)*	**(5,538,000)**	**(4,098)**	**(3,655)**
As at 31 December 2017	**977,462,000**	**292,211**	**232,459**

Note:

Buy-back of shares

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

During the year ended 31 December 2017, the Company further repurchased and cancelled 2,114,000 of its own ordinary shares at a weighted average price of approximately RMB0.69 per share, for a total consideration of approximately RMB1,461,000. As a result, 5,538,000 ordinary shares were cancelled and their total consideration of RMB3,655,000 was deducted in share capital during the year ended 31 December 2017.

15 TRADE PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**25,178**	14,731

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	
	2017	2016
	RMB'000	*RMB'000*
Less than 30 days	**20,995**	11,184
31 to 90 days	**1,947**	2,701
91 to 180 days	**1,653**	724
181 to 365 days	**528**	122
Over 365 days	**55**	–
	25,178	14,731

16 CONVERTIBLE BOND

	RMB'000
As at 1 January 2017	**–**
Fair value of convertible bond issued	**59,670**
Re-measurement on convertible bond:	
Exchange difference	**(863)**
Fair value loss	**728**
As at 31 December 2017	**59,535**

The entire convertible bond is designated as a financial liability through profit or loss and classified as current liability as at 31 December 2017. All of the fair value measurements of the Group's convertible bond were categorised into Level 2 of the fair value hierarchy.

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 our own brands. On 7 July 2015, the Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited which had further consolidated our leading position in China's processed fruit product industry.

The Group has consistently prioritised food safety, successfully winning the trust and support of consumers through quality and healthy products. In May 2017, the Group was ranked in the "2017 China's Most Promising Listed Companies (2017福布斯中國上市公司潛力企業榜)" by Forbes China, becoming one of the three food enterprises recognised for its excellence, further enhancing the Group's brand strength.

Additionally, thanks to our excellent quality management system, the Group successfully passed stage after stage of review and assessment, for the highest honour of the Mayor's Quality Award bestowed by Linyi City of Shandong Province, becoming the only food production enterprise of the municipality to receive the award in 2017.

The Group has been consistently committed to provide healthy, safe and nutritious products to its customers. As one of the food enterprises with the most complete quality certifications, the Group has always been dedicated to following stringent international production standards and are accredited with BRC (A+), IFS Food (High), FDA, HALAL, SC, KOSHER, BSCI and ISO22000 in respect of our production facilities, quality control and management. The Group has also passed the internal food production standard reviews and audits from some of the UK and US supermarket chains.

At the same time, within China, as a "Equal production line; Equal standard; Equal quality" food production and export enterprise, the Group has been supplying products of equivalent quality to domestic and international markets. Since 2016, the Group's own brand processed fruit products have continued to obtain a high degree of market recognition, and have been awarded by a national institution the honour and qualification of "China Canned Product Quality Certification Label", becoming the first fruit processor in China's fruit processing industry to be authorised to place the "Zero Added Preservative Canned Products" label on its products and sold in China.

BUSINESS REVIEW

In 2017, the world's major economics achieved positive economic growth, with developed economies in stable recovery. Global inflation rose moderately, raising hopes of ending the long period of stagnation. Trade and investment conditions show clear improvement, but international financial markets remain turbulent and economic fluctuations have risen significantly. The global industrial competition experiences profound changes. Under the new normal of the China's economy, the spill-over effect of China's economic development has further intensified, meanwhile quality and efficiency have improved simultaneously. As the national economic structure undergoes complete optimisation, new economic growth momentum has been gathering continuously, while enhanced consumption upgrade has had a comprehensive stimulating effect on economic development, and the rapid growth of the e-commerce industry has also provided an expansive market prospect for the consumer goods industry.

During the Year under Review, the Group achieved encouraging progress, as our strategy of parallel development of our own brand and OEM business continued to bring robust performance growth for the Group. The Group's revenue experienced double digit growth in percentage points year-on-year, recording revenue and gross profits growth of 14.1% and 2.5% to RMB745.5 million and RMB204.3 million respectively, of which revenue from our own brand business soared by 71.4% to RMB322.1 million. Net profit for the year was RMB123.6 million. Earnings per share (expressed in HK$ using the respective year end RMB versus HKD exchange rates) increased by 4.1% from HK$0.145 (equivalent to RMB0.129) in 2016 to HK$0.151 (equivalent to RMB0.126) in 2017. Adjusted net profit increased by 9.5% to RMB 126.4 million in 2017 and adjusted net profit margin stated at 17.0%.

Own Brand Product Sales Strategy

During the Year under Review, the Group's own brand business continued to be the performance growth engine. Revenue from our own brand business including "天同時代 (Tiantong Times)", "繽果時代 (Bingo Times)", and "果小懶" experienced a year-on-year growth of 71.4% to RMB322.1 million, representing 43.2% of the Group's total revenue.

In order to drive the development of our own brands, the Group actively participated in numerous types of exhibitions and fairs during the Year under Review, opened up sales channels with potential and continuously expanded our sales network, so as to raise our brand profile. Exhibitions which we participated in include FOODEX JAPAN 2018, the 96th China Food & Drinks Fair, the PLMA's 2017 "World of Private Label" International Trade Show, Anuga International Food and Beverage Exposition in Cologne, Germany, the Autumn 2017 China Food & Drinks Fair, and the PLMA's 2017 U.S. Private Label Trade

Show held in Chicago. Through participating in food exhibitions of various types and scales, the Group interacted with domestic and international food producers, distributors, retailers and clients, keeping in touch with rapidly evolving consumer market, promoting the Group's brand and edge. Participating in exhibitions also allows the Group to expand to a deeper and wider domestic distribution network, in order to complement to the Group's future vibrant development.

With the increasing popularity of e-commerce, the Group has continued to invest resources in developing e-commerce platforms such as WeChat Business and Tmall during the Year under Review, and expanding online sales channels. We also raised the image of our own brands through using active internet marketing approaches. We launched timely promotional discounts to match with promotional activities such as the Chinese Singles' Day event on the e-commerce platforms, and recorded excellent online sales activity. During the Year under Review, revenue from online sales surged to RMB65.6 million (2016: RMB19.5 million), representing approximately 8.8% and 20.4% respctively of the Group's total revenue and own brand revenue respectively.

For offline sales, the Group has continued rapid expansion of geographical coverage of our own brand products, such that the sales network of our own brand products covers 21 provinces, direct-controlled municipalities and autonomous regions in China, achieving a scale of layout in the domestic offline market. Our own brands have continued to adopt the new distribution system, implement a sales incentive scheme for distributors, further strengthen interaction and cooperation with the distributors, and build a group of test markets. We have successfully expanded the number of distributors to approximately 184. Meanwhile, the Group has also expanded its chain superstore channels during the Year under Review, and successfully entered into the chain supermarkets such as RT-Mart, CR Vanguard and Jinan Hualian, thus increasing the popularity of our own brands.

OEM Sales Strategy

In light of our commitment to full compliance with international processed food quality and safety standards, the Group always conducts stringent testing on fresh fruits provided by suppliers. In order to ensure the quality of raw materials, the Group only purchased the fruits if the tests are passed. The Group has attracted internationally renowned clients and gradually become one of the leaders in the processed food industry in China with consistent quality, comprehensive international industrial certifications and rich product lines. During the Year under Review, due to the need to devote more resources and provide greater flexibility in the supply chain for developing our own brand business, the Group has adopted strategic and limited arrangements in conducting OEM production work. The OEM business continues to experience stable development and seamless cooperation with renowned international brands, recording revenue of RMB345.2 million during the year, representing 46.3% of the Group's total revenue, while active OEM clients placing orders for the Group's products have stayed at 44.

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 RMB78.2 million, representing 10.5% of the Group's total revenue.

Expansion of Production Facilities

The Group continues to improve production facilities to enhance its production efficiency and quality. Upgrading of production workshops No. 1 to No. 4 have been completed and are currently operational, and total annual designed production capacity has reached 84,000 tons. The Group is also actively preparing for production workshops No. 5 and No. 6. Even with the sizeable expansion in production capacity, the Group has consistently and strictly complied with the Food Safety Law of the People's Republic of China (《中國食品安全法》) and the Regulation on the Implementation of the Food Safety Law of the People's Republic of China (《中國食品安全法實施條例》).

During the Year under Review, the Group entered into a sale and purchase agreement to acquire Strong Won Investment Limited (力勝投資有限公司) and its wholly owned subsidiary Tiantong Foods (Yichang) Ltd. (天同食品(宜昌)有限公司) ("Yichang Tiantong"). Yichang Tiantong is principally engaged in the production of subtropical processed fruit products, targeting a total of 80,000 tonnes production of processed fruit for the Group in the next 3 years. Yichang Tiantong is located in Dangyang city of Hubei Province and owns land use rights of 101 mu and production facility with gross floor area of 26,000 square metres, among which is a production workshop with 12 production lines, an office building, a warehouse, and environmental protection and staff facilities. Yichang Tiantong also holds the required licences in China and various international accreditations relating to its production equipment, quality control and management system. This acquisition will allow the Group to establish a strategic production and distribution base in Central China to expand its business and develop and promote subtropical fruit products. The acquisition was completed on 31 January 2018.

Research and Development and Promotion

In order to capture the evolving trends of the snack foods industry, the Group has consistently invested significant resources on the research and development of new products and food processing technology enhancement. During the Year under Review, the Group has introduced a diverse range of new products with different flavours, including fruit jellies, "冰糖燉梨 (Stewed pears soup with crystal sugar)" under "繽果時代 (Bingo Times)" brand and "一罐一碼紅包獎賞 (One-can-one-code Bonus Reward)" series of processed fruit products, so as to satisfy market demands.

During the Year under Review, the Group entered into an industry-university research collaboration agreement with a renowned university in China. Both parties will commence full cooperation in the areas such as scientific research, innovative development, education and teaching, and talents training, as well as establish an industry-university research base that includes sharing of research results and big data. Meanwhile, the Group has reached a strategic partnership with a renowned food research institute in Japan to jointly develop new products, in order to rapidly seize the snack food market in Asia.

During the Year under Review, the Group has been and are continuing to research and develop new processed fruit products, including a trans fat free fruit snack which is very similar to ice cream, and natural fruit pudding with different flavours. The Group will continue to introduce new types of snack products under its own brand, in order to satisfy and suit the tastes and demands of younger consumers.

Diversified Financing Channels

The Group has consistently strived to explore suitable strategic merger and acquisition opportunities. In order to strengthen financial liquidity for future development plans and satisfy working capital requirements for expansion of our business, on 16 November 2017 and 22 January 2018 respectively, the Group entered into subscription agreement for the issue of convertible bonds in the principal sums of US$9,000,000 and US$4,000,000 respectively to Guotai Junan Finance (Hong Kong) Limited ("Guotai Junan") at an initial conversion price of HK$1.58 (the conversion price represents premiums of approximately 12.9% (i.e. HK$1.4) and 26.4% (i.e. HK$1.25) respectively on closing prices quoted on the Stock Exchange on the subscription dates). The net price for the issue agreed on 16 November 2017 and 22 January 2018 was HK$1.54 and HK$1.53 respectively. The issue of the convertible bonds was completed on 27 November 2017 and 29 January 2018 respectively. The funds raised will be used as the Group's working capital, in order to expand and develop the own brand business and international business, including new products and product categories, industrial partnerships and strategic investments.

Principal Risks and Uncertainties

In 2017, the Company identified and determined the significant risks of the Company through the risk management process. With the changes of business scale, business scope and the external environment as well, management considered the three significant risks disclosed in 2016 still existing and the levels of all the risks are decreasing except the Merger and Acquisition Risk stays similar to last year. For the effects of each category of risks on the Group, the Group has given a detailed description, and prepared corresponding alleviating/avoiding measures to manage such risks. Details are as follows:

Risk in respect of Product Quality and Food Safety

The risk in respect of product quality and food safety refers to the defect in products or failure of meeting relevant standards, or the risk in respect of raw materials, production process and other product-related food safety issues.

Merger and Acquisition Risk

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

Brand Publicity Risk

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

PROSPECTS

In recent years, with the improvement of China's economic development and consumption levels of the population, snack foods have become an important component in the daily food consumption of the population, which form a massive business opportunity. The growth in China's economic development level and changing notions of consumption among the population is accompanied by consumption improvements, driving the snack food industry to develop towards directions in appealing to the younger demographic group, in becoming high-end, and in emphasising healthiness. Meanwhile, with the rapid rise of internet e-commerce businesses forming the general trend, policy and capital support has continued to increase. The vibrant development of information technology and logistics infrastructure, and the increasing intensification of the integration between the food industry and e-commerce modes, the industry value of China's snack foods industry will continue to rise.

In 2017, by virtue of further breakthrough in the sales of our own brand products, the Group has successfully transformed into one of the active players in upgraded consumer goods industry in China.

Facing various market opportunities in future, the Group will consolidate resources in all areas, implement streamlined management and a de-seasonalised production strategy, in order to raise corporate core competitiveness. We will accelerate the development of branding, new products, sales channels and production capacity to create sustainable development and better results.

For branding, the Group will work on brand planning to create a fresh brand image and reinvent brand value, as well as cooperate with regional distributors to promote comprehensive marketing activities, raise brand recognition and reputation of its own brand, and further strengthen the Group's position as market leader. For products and product categories, the Group will through conducting internal research and development or forming strategic partnerships with third-party research institutes, to develop and launch product series with more new flavours and diversity, in order to satisfy market demands. Further, the Group will accelerate expansion of its product line through introducing new product categories such as functional foods.

Regarding distribution channels, the Group will strengthen its strategic positioning in the online-offline parallel development mode, with WeChat Business and Tmall continuing to serve as the Group's main online e-commerce platforms. The Group will accelerate the building of offline sales network domestically and in Hong Kong and Macau, as well as actively participate in large domestic food-related fairs and expositions to strengthen and reinforce offline positions. While the Group is vigorously developing the domestic business, we have been continuously seeking opportunities to enter into the overseas market. During the Year under Review, the Group signed a memorandum of understanding for an intended acquisition of Homemade Harvey Operating, LLC ("Homemade Harvey"), a renowned United States regional quality organic food business. If the acquisition eventually materialises, it would accelerate the introduction of the Group's innovative processed foods to the United States, thus stimulating the growth of the Group's own brand business both domestically and internationally.

In January 2018, the Group entered into a strategic cooperation and purchase agreements with Tai Wei Beverage Joint Stock Company Limited and Tai Wei (Guangzhou) Co. Ltd (泰威飲料股份有限公司) ("Taiwei Group"). Both parties agreed to be strategic partners for the next decade, and jointly produce and sell the X-Bear series of energy drinks (熊霸激能系列飲料) ("X-Bear") in China. During the first year of cooperation, Taiwei Group will place a production order of not less than RMB162 million of X-Bear products to the Group, and conduct sales through Taiwei's own sales channels, including retailers, hotels and food and beverage businesses. Meanwhile, the Group is also authorised to sell X-Bear products through itsexisting online and offline distribution channels in over 20 Provinces in China. As a pilot scheme for the Group to introduce functional products, the Group can provide consumers with more diversified and safe quality products through expanding and extending its product lines. The Group could also sell its existing and newly developed processed fruit products to the Taiwan market through Taiwei in the future, thus stimulating business growth and contributing to the Group's result in 2018 and beyond.

With regard to production capacity, the Group will explore the de-seasonalised modes of production, and sustain its dedication in improving and upgrading existing production facilities to raise productivity and capacity so as to match the speed of business development. The Group will also consolidate the production capacity in the Hubei production base, and accelerate the development and expansion of its operation. Meanwhile, the Group also intends to seek acquisition targets located in Guangxi and Yunnan Provinces which focus on processing tropical fruit, and wish to eventually cover the fruits in three climate zones including tropical, subtropical and temperate climate zone, thus expanding our product line and widening our source of revenue, and becoming a leading processed food corporation that can process all varieties of fruits.

As a renowned food processor in China, the Group has consistently upheld the strictest standards on every aspect of food safety. Driven by the efforts of our entire staff and with the healthy development of the industry, the Group will continue its stable and robust growth, and serve to the consumer at large with healthy, safe, tasty, and convenient processed foods.

Save as disclosed in this announcement, there is no significant event affecting the Group which have occurred since 31 December 2017.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2017, our revenue increased to approximately RMB745.5 million from approximately RMB653.5 million for the year ended 31 December 2016, representing an increase of approximately RMB92.0 million or 14.1%. The Company continued to sell its processed fruit products under its own brand and on an OEM basis, and engaged in trading of fresh fruits. The increase in revenue was mainly attributable to the substantial increase in the sales of our own brand products from approximately RMB187.9 million for the year ended 31 December 2016 to approximately RMB322.1 million for the year ended 31 December 2017, representing a growth of 74.1%; which was partly offset by a slight decrease in the OEM sales from approximately RMB382.4 million for the year ended 31 December 2016 to approximately RMB345.2 million for the year ended 31 December 2017, representing a drop of 9.7%.

Breakdown of the revenue by business segments for the year ended 31 December 2017 and the comparative figures in 2016 are set out as follows:

	For the year ended 31 December		**Changes**	
	2017	2016		
	RMB million	*RMB million*	***RMB million***	***%***
Revenue				
OEM Sales	**345.2**	382.4	(37.2)	(9.7)
Own Brand Sales	**322.1**	187.9	134.2	71.4
Fresh Fruits Sales and others	**78.2**	83.2	(5.0)	(6.0)
Total	**745.5**	653.5	92.0	14.1

During the Year under Review, processed fruit products sold under our own brand accounted for 43.2% (2016: 28.8%) of the total revenue. Revenue from our own brand products has become a key segment and its level in 2017 was almost equivalent to the revenue from the OEM products. The substantial increase was contributed by the continuous increase in the number of new distributors, the growth of sales from most of the existing distributors, and the rapid expansion of the online sales channels. The number of our distributors increased from 126 as at the date of last annual report to 184 as at the date of this announcement. The revenue through online channels also grew substantially in 2017 and represented 20.4% of the revenue from our own brand products (2016: 10.4%).

Revenue from processed fruit products sold on an OEM basis stayed at a steady level of RMB345.2 million (2016: RMB382.4 million), and continued to contribute a significant portion of the total revenue of the Group and represented 46.3% (2016: 58.5%) of the total revenue during the year ended 31 December 2017. 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 decreased moderately in 2017 as we have devoted more resources and provided greater flexibility in the supply chain for developing the own brand business. The number of active customers that ordered our products in 2017 remained at 44 (2016: 44).

We also sold fresh fruit products and the revenue contributed by fresh fruit sales and others represented 10.5% of the total revenue for the year ended 31 December 2017 (2016: 12.7%). Revenue from fresh fruit sales for the year ended 31 December 2017 was broadly in line with last year. The decrease of fresh fruit and others in 2017 was mainly attributed from the adjustments on other revenue with regard to the free trial products.

Gross profit and gross profit margin

	For the year ended 31 December		Changes	
	2017	2016		
	RMB million	*RMB million*	***RMB million***	**%**
Gross profit				
OEM Sales	**103.4**	123.6	(20.2)	(16.3)
Own Brand Sales	**92.1**	57.6	34.5	59.9
Fresh Fruits Sales and others	**8.8**	18.2	(9.4)	(51.7)
Total gross profit	**204.3**	199.4	4.9	2.5
Adjustment:				
Release of provision for social insurance contributions	**(1.0)**	(6.5)		
Adjusted gross profit	**203.3**	192.9	10.4	5.4

Gross profit for the year ended 31 December 2017 increased to approximately RMB204.3 million from approximately RMB199.4 million for the year ended 31 December 2016, representing a year on year increase of RMB4.9 million, or 2.5%. If the one-off adjustment with regard to the release of provision for social insurance contributions is excluded, the adjusted gross profit for the year increased by approximately RMB10.4 million to RMB203.3 million. The increase was mainly driven by increase in revenue which was partly offset by the overall decrease in gross profit margin.

	For the year ended 31 December	
	2017	2016
Gross profit margin		
OEM Sales	**30.0%**	32.3%
Own Brand Sales	**28.6%**	30.7%
Fresh Fruits Sales and others	**11.3%**	21.9%
Overall gross profit margin	**27.4%**	30.5%

Gross profit margin for the year decreased from 30.5% to 27.4%. The overall decrease in gross margin was mainly attributable to the substantial rise in the price level in China during the year on some of the key components of cost of sales, including sugar, food supplements, packaging materials. With regard to the gross margin of the own brand sales sold through the online channels, although the revenue from online sales grew substantially and the Group was able to capture a larger market share, the gross margin of online sales was lower due to the intense competitive environment from the online market in China.

With regard to gross margin on fresh fruit sales and others, if we exclude certain miscellaneous adjustments, the gross margin on fresh fruit remained stable at 23.6% in 2017 (2016: 23.2%).

Selling and distribution expenses

Selling and distribution expenses mainly include the transportation costs, promotion expenses, advertising expenses, and salary expenses and related staff costs from sales and marketing department. For the year ended 31 December 2017, the selling and distribution expenses amounted to approximately RMB17.0 million, representing a year-on-year increase of approximately RMB3.8 million, or 29.0%. The increase was mainly due to the one-off brand building expenses in connection with offering free trial products which amounted to approximately RMB4.5 million (2016: RMB2.3 million). Without taking into account the one-off brand building expenses, the selling and distribution expenses increased by 12.8% to approximately RMB12.5 million and the increment is less than the growth of revenue during the Year under Review.

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 differences, and various taxes with regard to the use of land and buildings. The amount increased from RMB17.9 million for the year ended 31 December 2016 to RMB28.5 million for the year ended 31 December 2017. During the Year under Review, an exchange loss of RMB2.4 million was reported in the general and administrative expenses while an exchange gain of RMB9.2 million was reported in 2016. The exchange difference mainly arose from bank balances account, receivables, and convertible bonds denominated in HKD and USD, and the depreciation trend of HKD and USD against RMB during 2017. Without taking into account the exchange difference, general and administrative expenses slightly decreased from RMB27.1 million for the year ended 31 December 2016 to RMB26.1 million for the Year under Review, representing a 3.7% year-on-year decrease.

Income tax expenses

Income tax expenses represent the PRC enterprise income tax of our PRC subsidiaries. For the year ended 31 December 2017, our income tax expenses decreased by RMB0.3 million, or approximately 0.8%, to RMB37.3 million from RMB37.6 million for the year ended 31 December 2016. The decrease in the income tax expenses was primarily due to the increase in income not subject to tax which offsets more than the increase in our assessable income during the year.

Net profit and net profit margin

	For the year ended 31 December		Changes	
	2017	2016		
	RMB million	*RMB million*	***RMB million***	***%***
Net profit for the year				
Adjustments:	**123.6**	128.8	(5.2)	(4.0)
Release of provision for social insurance contributions	**(1.0)**	(6.5)		
Foreign exchange differences	**2.4**	(9.2)		
Brand building expenses	**4.5**	2.3		
Fair value difference on convertible bond and investment properties	**(4.6)**	–		
Transaction costs for issuance of convertible bond	**1.5**	–		
Adjusted net profit for the year	**126.4**	115.4	11.0	9.5
Net profit margin	**16.6%**	19.7%	N/A	N/A
Adjusted net profit margin	**17.0%**	17.7%	N/A	N/A

For the year ended 31 December 2017, net profit slightly decreased by approximately RMB5.2 million or 4% to approximately RMB123.6 million as compared to approximately RMB128.8 million for the year ended 31 December 2016. Notwithstanding the Group's effective control on the recurring selling and distribution expenses, and the general and administrative expenses, the net profit during the Year under Review dropped due to several non-recurring or one-off expenses. If the release of provision for social insurance contributions, foreign exchange differences, new brand building expenses, fair value difference on convertible bond and investment properties, and transaction costs for issuance of convertible bond are excluded, the adjusted net profit for the Year under Review increased by RMB11.0 million or 9.5% to approximately RMB126.4 million.

The net profit margin and adjusted net profit margin for the Year under Review were 16.6% (2016: 19.7%) and 17.0% (2016: 17.7%) respectively.

Liquidity, financial resources and capital resources

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

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

	As at 31 December 2017	As at 31 December 2016
Gearing ratio (%)	**21.6%**	17.2%
Current ratio	**2.67**	3.23
Cash and cash equivalent *(RMB million)*	**309.2**	224.0
Net current assets *(RMB million)*	**308.4**	258.4
Quick ratio	**2.26**	2.67

The gearing ratio of the Group as at 31 December 2017 was 21.6% (31 December 2016: 17.2%). 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, convertible bonds, 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 2017 was 2.67 (31 December 2016: 3.23).

As at 31 December 2017, our cash and cash equivalents amounted to approximately RMB309.2 million (31 December 2016: RMB224.0 million). Our net current assets was approximately RMB308.4 million as at 31 December 2017, as compared to approximately RMB258.4 million as at 31 December 2016.

The quick ratio (calculated based on total currents assets minus inventory divided by total current liabilities) of the Group as at 31 December 2017 was 2.26 (31 December 2016: 2.67). With stable cash inflows generated in the daily business operation, plus the net proceeds raised from listing and convertible bonds, the Group has sufficient financial 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 2017.

Capital structure

The Group's total equity and liabilities amounted to approximately RMB653.9 million and RMB184.2 million, respectively as at 31 December 2017 (31 December 2016: RMB566.2 million and RMB129.5 million).

Bank borrowing, convertible bonds and other borrowings, and finance costs

As at 31 December 2017, the total amount of an interest-bearing bank borrowing, convertible notes and other borrowings from a leasing company of the Group was RMB141.2 million (31 December 2016: RMB97.2 million). During the Year under Review, the Group issued convertible bonds with the principal amount of US$9,000,000. The Group also issued convertible bonds with the principal amount of US$4,000,000 in January 2018.

Finance costs of the Group increased from RMB2.2 million for the year ended 31 December 2016 to RMB4.4 million for the year ended 31 December 2017, representing an increase of approximately RMB2.2 million or 100%. Such increase was mainly attributable to the one-off transaction costs for issuing convertible bond amounting to RMB1.5 million, increase in interest expenses of RMB0.4 million with more borrowings, and decrease in capitalisation of borrowing costs of RMB0.2 million. The weighted effective interest rate of bank and other borrowings was 5.4% per annum as at 31 December 2017 (31 December 2016: 5.3% 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 2017, the net book value of pledged land and buildings, and plant and equipment amounted to approximately RMB99.4 million (31 December 2016: RMB105.9 million).

Capital expenditure

During the Year under Review, our total capital expenditure amounted to RMB22.6 million (2016: RMB103.6 million). A total amount of approximately RMB15.6 million was spent on improvement works on production workshops, ground surface, sewage system, and addition of auxiliary facilities. An approximate of RMB4.4 million and RMB3.3 million were spent respectively on decoration works on integrated development centre, and purchase of plant and machineries.

We also transferred a total amount of approximately RMB74.4 million from construction in progress to primarily the buildings, leasehold improvement and investment properties that are mainly related to the completion of the integrated development centre. The integrated development centre includes the functions such as retail, showroom, office, test and inspection, research and development, meeting and exhibition, sales and marketing, and staff training and development.

The non-current portion of the prepayment included 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 close to our existing production facilities. The addition of approximately RMB12.9 million during the year was prepayments, which is refundable in case of the usage of the acquisition, paid regarding the acquisition of the entire share capital of Strong Won Investment Limited.

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, convertible bonds 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 convertible bonds and 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 convertible bonds of the Group at fixed interest rate were denominated in USD. 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, convertible notes 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. The management will consider implementing hedging measures in case necessary.

Human resources

As at 31 December 2017, the number of employees of the Group was 624 (31 December 2016: 573). 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 RMB30.0 million for the Year under Review (2016: approximately RMB20.9 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 2017, 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 2017, amounted to approximately RMB17.4 million (31 December 2016: RMB18.4 million).

Material acquisitions and disposals

On 15 September 2017, the Group entered into a sale and purchase agreement to acquire the entire share capital of Strong Won Investment Limited and its subsidiaries (the "Acquisition Group") which is principally engaged in the production and sales of processed fruit products at the consideration of HK$55 million, including HK$33 million cash consideration and consideration shares with the value of HK$22 million. The Acquisition Group is based in the central part of the PRC and has its own production facilities. Through the acquisition, the Group 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 acquisition was subsequently completed in January 2018.

The Group placed a refundable prepayments of RMB42 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.

During the year ended 31 December 2017 and saved as disclosed above, the Group did not have any other material acquisitions or disposals of subsidiaries or associated companies.

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

During the year ended 31 December 2017, pursuant to the general mandate given to the Directors of the Company, the Company repurchased and cancelled 2,114,000 of its own ordinary shares through the Stock Exchange at an aggregate consideration of approximately RMB1.46 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 2017.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 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 2017.

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.

DIVIDENDS

The Board has proposed a final dividend of HK$0.026 per share for the year ended 31 December 2017, to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 4 June 2018 (the record date). Subject to the approval of the Company's shareholders at the 2018 AGM, the final dividend will be paid on or about 25 June 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from 17 May 2018 to 23 May 2018 (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 2018 AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 16 May 2018.

For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from 30 May 2018 to 4 June 2018 (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 29 May 2018.

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 2017 annual report of the Company will be despatched to shareholders of the Company and published on the aforesaid websites on or before 16 April 2018.

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

Hong Kong, 29 March 2018

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.