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 2019

HIGHLIGHTS

	For the year ended 31 December	
	2019	2018
	RMB million	*RMB million*
	(unaudited)	
Key financial data		
Revenue	**1,062.8**	940.5
Gross profit	**296.0**	263.3
Net profit	**169.1**	147.5
Basic earnings per share (RMB cents)	**17.20**	15.07
Proposed final dividend per ordinary share (HK$)	**0.030**	0.027

As compared with the same period in 2018:

- Total revenue *(unaudited)* increased by 13.0% to RMB1,062.8 million
- Gross profit *(unaudited)* increased by 12.4% to RMB296.0 million
- Net profit *(unaudited)* increased by 14.6% to RMB169.1 million
- Basic earnings per share *(unaudited)* increased by 14.1% to RMB17.20 cents
- Full year total dividends *(unaudited)* increased by 9.1% to HK4.8 cents per share

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 2019 *(unaudited)* together with the comparative figures for the year ended 31 December 2018. The results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December	
		2019	2018
		RMB'000	*RMB'000*
		(unaudited)	
Revenue	*5*	**1,062,767**	940,507
Cost of sales		**(766,726)**	(677,240)
Gross profit		**296,041**	263,267
Other income		**4,753**	849
Other losses, net		**(2,539)**	(2,619)
Selling and distribution expenses		**(18,295)**	(14,290)
General and administrative expenses		**(45,980)**	(34,859)
Operating profit		**233,980**	212,348
Finance income	*6*	**4,185**	1,437
Finance costs	*6*	**(13,144)**	(13,405)
Finance costs – net		**(8,959)**	(11,968)
Profit before income tax		**225,021**	200,380
Income tax expense	*7*	**(55,960)**	(52,853)
Profit and total comprehensive income, net of tax for the year		**169,061**	147,527
Profit and total comprehensive income attributable to:			
Equity holders of the Company		**169,090**	147,527
Non-controlling interest		**(29)**	–
		169,061	147,527
Earnings per share for profit attributable to equity holders of the Company for the year *(expressed in RMB cents)*			
– Basic earnings per share	*8*	**17.20**	15.07
– Diluted earnings per share	*8*	**17.19**	15.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		As at 31 December	
	Note	**2019**	2018
		RMB'000	*RMB'000*
		(unaudited)	
ASSETS			
Non-current assets			
Right-of-use assets	*11*	**81,079**	–
Leasehold land and land use rights	*10*	**–**	66,521
Property, plant and equipment	*12*	**286,435**	262,167
Investment properties	*13*	**30,300**	34,100
Prepayments	*14*	**30,000**	55,660
Goodwill		**1,104**	1,104
		428,918	419,552
Current assets			
Inventories		**101,951**	90,250
Trade and other receivables	*14*	**187,583**	115,430
Restricted cash		**1,407**	–
Cash and cash equivalents		**471,992**	464,590
		762,933	670,270
Total assets		**1,191,851**	1,089,822
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*15*	**168,437**	207,383
Reserves		**725,694**	558,684
		894,131	766,067
Non-controlling interest		**(29)**	–
Total equity		**894,102**	766,067

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2019

		As at 31 December	
	Note	**2019**	2018
		RMB'000	*RMB'000*
		(unaudited)	
LIABILITIES			
Non-current liabilities			
Bank borrowing		**–**	27,535
Contingent consideration payable		**6,962**	15,550
Lease liabilities	*11*	**355**	–
Deferred tax		**3,067**	–
Total non-current liabilities		**10,384**	43,085
Current liabilities			
Trade and bills payables	*16*	**29,066**	26,951
Accruals and other payables		**22,599**	19,163
Amount due to a substantial shareholder		**20,301**	88,826
Amount due to the non-controlling interest		**103**	–
Bank and other borrowings		**203,445**	130,234
Contingent consideration payable		**6,963**	–
Lease liabilities	*11*	**410**	–
Current income tax liabilities		**4,478**	15,496
Total current liabilities		**287,365**	280,670
Total equity and liabilities		**1,191,851**	1,089,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION OF THE GROUP AND GROUP ORGANISATION

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

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

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

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

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Hong Kong Companies Ordinance Cap.622, and have been prepared under the historical cost convention as modified by the valuation of investment properties (Note 13) and contingent consideration payables, 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) New and amended standards adopted by the Group

The Group has adopted the following new standard, amendments to standards and interpretation for the accounting period beginning on 1 January 2019:

- Amendments to HKFRS 9, "Prepayment Features with Negative Compensation"
- HKFRS 16, "Leases"
- Amendments to HKAS 19, "Plan Amendment, Curtailment or Settlement"
- Amendments to HKAS 28, "Long-term interests in Associates and Joint Ventures"
- HK(IFRIC)-Int 23, "Uncertainty over Income Tax Treatments"
- Annual Improvements 2015-2017 Cycle, "Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23"

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 3(c).

The adoption of the other new standards, interpretation and amendments to existing standards did not have a significant effect on the financial statements or result in any significant changes in the Group's significant accounting policies, except for certain changes in presentation and disclosures.

(b) New and amended standards that have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted

- Amendments to HKAS 1 and HKAS 8, "Definition of material" [1]
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, "Hedge Accounting"[1]
- Amendments to HKFRS 3, "Definition of a Business" [1]
- Amendments to HKFRS 10 and HKAS 28, "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" [3]
- Conceptual Framework for Financial Reporting 2018, "Revised Conceptual Framework for Financial Reporting" [1]
- HKFRS 17, "Insurance Contracts" [2]

[1] effective for annual period beginning on or after 1 January 2020
[2] effective for annual period beginning on or after 1 January 2021
[3] to be determined

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

(c) Change in accounting policies

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s financial statements.

Nature of change

As indicated in Note 3(a) above, the Group has adopted HKFRS 16 “Leases” retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Impact

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.41%. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. No remeasurement to the lease liabilities was recognised as adjustments to the related right-of-use assets immediately after the date of initial application. There is no net impact on retained earnings on 1 January 2019.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Reliance on previous assessment on whether leases are onerous.

- The accounting for operating lease with a remaining lease term of less than 12 months as at 1 January 2019 as short term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**352**
Less:	
Short-term leases with remaining lease term ending on or before 31 December 2019	**(352)**
Lease liabilities recognised as at 1 January 2019	**–**

(iii) Measurement of right-of-use assets

As at 1 January 2019, the leasehold land and land use right of RMB66,521,000 was reclassified to "Right-of-use assets".

The following table summarises the impacts on the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:	As at 31 December 2018	Effects of the adoption of HKFRS 16	**As at 1 January 2019**
	RMB'000	*RMB'000*	***RMB'000***
Non-current assets			
Leasehold land and land use rights	66,521	(66,521)	**–**
Right-of-use assets	–	66,521	**66,521**

(iv) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

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 People's Republic of China. For the year ended 31 December 2019, the Group's revenue of RMB1,019,913,000 (2018: RMB864,058,000) was generated from domestic and overseas customers based in the PRC and paid in RMB, and the Group's revenue of RMB42,854,000 (2018: RMB76,449,000) was generated from direct overseas customers paid in foreign currencies. Most of the non-current assets were located in the PRC.

Segment assets and liabilities

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

Information about major customers

No single customer contributed over 10% of the Group's total Revenue for the year ended 31 December 2019 and 2018.

5 REVENUE

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
Revenue recognised at a point in time		
Domestic sales	**1,019,913**	864,058
Direct overseas sales	**42,854**	76,449
Total sale of goods	**1,062,767**	940,507

6 FINANCE COSTS – NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
Finance income		
– Interest income on short-term bank deposits	**4,185**	1,437
Finance costs		
– Interest expenses on other borrowings	**(4,972)**	(863)
– Interest expenses on bank borrowings	**(8,166)**	(6,820)
– Interest expenses on convertible bonds	**–**	(4,956)
– Interest expenses on lease liabilities	**(6)**	–
– Transaction costs for issuance of convertible bonds	**–**	(565)
– Transaction costs for bank borrowings	**–**	(201)
	(13,144)	(13,405)
Finance costs – net	**(8,959)**	(11,968)

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 the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2019 and 2018. 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 on 25% of the profits for the PRC incorporated entities for the years ended 31 December 2019 and 2018, 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.

PRC withholding tax

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

At 31 December 2019, the undistributed profits of the Group's subsidiaries in the PRC that subject to the temporary differences amounted to RMB666,176,000 (2018: RMB529,791,000).

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

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
Current income tax:		
PRC corporate income tax	**54,465**	51,281
Withholding tax relating to PRC subsidiaries:		
Provision for the year	**1,495**	1,572

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, including the weighted average number of issuable shares of which all necessary conditions are satisfied under the consideration share arrangement, deducting the weighted average number of shares held under the share award scheme during the years.

	Year ended 31 December	
	2019	2018
	(unaudited)	
Profit attributable to equity holders of the Company (RMB'000)	**169,090**	147,527
Weighted average number of ordinary shares in issue (thousand)	**977,462**	977,462
Weighted average number of issuable shares (thousand)	**7,919**	1,727
Less: shares held under share award scheme (thousand)	**(2,167)**	–
	983,214	979,189
Basic earnings per share (RMB cents)	**17.20**	15.07

(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 2019 and 2018, the Group has share options which may result in dilutive potential ordinary shares. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration.

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
Profit attributable to shareholders of the Company for calculation of basic earnings per share and diluted earnings per share	**169,090**	147,527

	Number of shares	
	2019	2018
	(unaudited)	
Weighted average number of shares for calculation of basic earnings per share (thousand)	**983,214**	979,189
Effect of dilutive potential shares:		
Share options of the Company assumed to be exercised (thousand)	**511**	1,762
Weighted average number of shares for calculation of diluted earnings per share (thousand)	**983,725**	980,951
Diluted earnings per share (RMB cents)	**7.19**	15.04

9 DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
Final dividend paid during the year:		
2018 final dividend HK$0.027 per ordinary share	**23,189**	20,757
Interim dividend declared and paid during the year:		
2019 interim dividend of HK$ 0.018 per ordinary share (2018: HK$0.017 per ordinary share)	**15,757**	14,750
Final dividend declared after the year end:		
2019 final dividend of HK$0.030 per ordinary share (2018: HK$0.027 per ordinary share)	**26,333**	22,583

The Board has declared that an interim dividend of HK0.018 per share for the six months ended 30 June 2019 to shareholders whose names appear in the Register of Members on 29 November 2019.

On 30 March 2020, the board of directors proposed a final dividend of in respect of the year ended 31 December 2019 of approximately RMB26.3 million (2018: RMB22.6 million), representing HK$0.030 per ordinary share (2018: HK$0.027 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 2019, but will be recorded as a distribution of reserves for the year ending 31 December 2020.

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	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
At 1 January	**66,521**	56,976
Impact on adoption of HKFRS 16	**(66,521)**	–
Acquisition of subsidiaries	**–**	11,233
Amortisation	**–**	(1,688)
At 31 December	**–**	66,521

Amortisation of leasehold land and land use rights of RMB1,359,000 have been included in 'cost of sales' and RMB329,000 have been charged in 'general and administrative expenses' for the year ended 31 December 2018.

As at 31 December 2018, the Group's leasehold land and land use rights were pledged to secure bank borrowings granted to the Group.

11 LEASES

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

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

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

(a) Right-of-use assets

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
As at 1 January	**–**	–
Impact on adoption of HKFRS 16 *(Note)*	**66,521**	–
Inception of lease contracts	**16,419**	–
Depreciation	**(1,861)**	–
As at 31 December	**81,079**	–

As at 31 December 2019, the net book value of right-of-use assets of amounted RMB64,803,000 was pledged to secure bank borrowings granted to the Group.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
Of which are:		
Leasehold land and land use rights	**80,317**	–
Office premises	**762**	–
	81,079	–

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

(b) Lease liabilities

	Year ended 31 December	
	2019	**2018**
	RMB'000	*RMB'000*
	(unaudited)	
As at 1 January	**–**	–
Impact on adoption of HKFRS 16	**–**	–
Inception of lease contracts	**831**	–
Finance costs on lease liabilities	**6**	–
Payment for lease liabilities (including interest)	**(72)**	–
As at 31 December	**765**	–
Of which are:		
Amount due for settlement within 12 months (shown under current liabilities)	**410**	–
Amount due for settlement after 12 months	**355**	–
	765	–

Note:

Until 31 December 2018, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under HKAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to Note 3(c).

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

As at 31 December 2019, there is no total future lease payments for short-term leases (2018: RMB 352,000).

As at 31 December 2019 and 2018, no lease is committed but not yet commenced.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	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 2018								
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
Year ended 31 December 2018								
Opening net book amount	89,280	57,733	115	45,028	3,095	2,773	1,670	199,694
Acquisition of subsidiaries	63,153	–	88	6,179	335	227	27	70,009
Additions	–	4,806	78	3,021	22	280	2,455	10,662
Transfer	–	768	–	178	–	–	(946)	–
Disposals	–	–	–	(37)	–	–	–	(37)
Depreciation	(7,104)	(3,617)	(56)	(6,164)	(390)	(830)	–	(18,161)
Closing net book amount	145,329	59,690	225	48,205	3,062	2,450	3,206	262,167
At 31 December 2018								
Cost	158,229	79,545	404	73,338	5,335	6,507	3,206	326,564
Accumulated depreciation	(12,900)	(19,855)	(179)	(25,133)	(2,273)	(4,057)	–	(64,397)
Net book amount	145,329	59,690	225	48,205	3,062	2,450	3,206	262,167
Year ended 31 December 2019 (unaudited)								
Opening net book amount	145,329	59,690	225	48,205	3,062	2,450	3,206	262,167
Additions	17,288	11,731	81	7,381	44	1,136	7,721	45,382
Transfer	(364)	3,206	–	–	–	–	(3,206)	(364)
Disposals	–	–	(2)	(1,252)	(20)	(13)	–	(1,287)
Depreciation	(7,527)	(3,786)	(52)	(6,731)	(455)	(912)	–	(19,463)
Closing net book amount	154,726	70,841	252	47,603	2,631	2,661	7,721	286,435
At 31 December 2019 (unaudited)								
Cost	175,107	94,482	483	79,278	5,356	7,623	7,721	370,050
Accumulated depreciation	(20,381)	(23,641)	(231)	(31,675)	(2,725)	(4,962)	–	(83,615)
Net book amount	154,726	70,841	252	47,603	2,631	2,661	7,721	286,435

As at 31 December 2019, the net book value of buildings of RMB73,159,000 (2018: RMB77,123,000) was pledged to secure bank borrowings granted to the Group.

As at 31 December 2019, no plant and machinery, office and computer equipment and furniture and fixtures amounted (2018: RMB24,790,000) was pledged to a leasing company for securing the Group's loans.

Construction in progress as at 31 December 2019 mainly comprises plants and production lines being constructing in the PRC (2018: same).

13 INVESTMENT PROPERTIES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
Opening balance at 1 January	**34,100**	34,000
Transfer from property, plant and equipment	**364**	–
Fair value change	**(4,164)**	100
	30,300	34,100

Amounts recognised in profit or loss for investment properties	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
Rental income	**657**	439
Fair value (loss)/gain recognised	**(4,164)**	100

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	5,825m² (2018: 5,733m²)	Land use rights for a term expired on 18 April 2057

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

Information about fair value measurements using significant unobservable inputs

	Valuation techniques	**Unobservable inputs**	**Range of Unobservable inputs**	
			As at 31 December 2019	As at 31 December 2018
Retail-Ground floor	Direct comparison	Adjusted market price (RMB/square meter)	5,000-6,500	5,500-7,000
Retail-others	Direct comparison	Adjusted market price (RMB/square meter)	3,500-5,000	4,000-5,500

14 TRADE AND OTHER RECEIVABLES

		As at 31 December	
		2019	2018
		RMB'000	*RMB'000*
		(unaudited)	
Trade receivables		**181,997**	110,056
Less: loss allowance of trade receivables	*(b)*	**(691)**	–
Trade receivables, net	*(a)*	**181,306**	110,056
Prepayments	*(c)*	**33,918**	58,975
Other receivables	*(c)*	**2,359**	2,059
		217,583	171,090
Less: non-current portion:			
Prepayments for property, plant and equipment		**(30,000)**	(13,660)
Prepayments for land use rights		**–**	(42,000)
Current portion		**187,583**	115,430

(a) Trade receivables

The Group's credit terms granted to customers generally ranged from 30 to 60 days (2018: 30 to 120 days).

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
Less than 30 days	**111,472**	56,748
31 to 60 days	**69,805**	52,114
61 to 90 days	**29**	998
91 to 120 days	**–**	116
121 to 180 days	**–**	80
	181,306	110,056

As at 31 December 2019, trade receivables of RMB29,000 were past due but not yet impaired (2018: RMB1,194,000). These relate to a number of independent customers for whom there is no recent history of default and based on past experience, the overdue amounts can be recovered.

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
Overdue		
Less than 30 days	**29**	998
31 to 60 days	**–**	116
61 to 91 days	**–**	80

The trade receivables are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
RMB	**179,894**	100,742
USD	**1,412**	9,314
	181,306	110,056

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

(b) **Impairment of trade receivables**

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

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

(c) **Prepayments and other receivables**

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

15 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*
At 1 January 2017	983,000,000	296,309	236,114
As at 31 December 2017 and 1 January 2018	977,462,000	292,211	232,459
Dividends paid relating to 2017 *(Note a)*	–	(12,643)	(10,326)
Dividends paid relating to 2018 *(Note a)*	–	(16,617)	(14,750)
As at 31 December 2018 and 1 January 2019	977,462,000	262,951	207,383
Dividends paid relating to 2018 *(Note a)*	–	(26,391)	(23,189)
Dividends paid relating to 2019 *(Note a)*	–	(17,554)	(15,757)
As at 31 December 2019 (unaudited)	977,462,000	219,006	168,437

Note:

(a) Distribution of share capital as dividends

During the year ended 31 December 2019, the Company has paid dividends relating to 2018 and 2019 (2018: 2017 and 2018) amounted RMB23,189,000 and RMB15,757,000 (2018: RMB20,757,000 and RMB14,750,000) respectively. Share capital amounted RMB38,946,000 (2018: RMB25,076,000) was distributed as dividends.

16 TRADE AND BILLS PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
Trade and bills payables	**29,066**	26,951

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	
Less than 30 days	**21,592**	20,028
31 to 90 days	**3,103**	3,727
91 to 180 days	**2,291**	1,830
181 to 365 days	**271**	464
Over 365 days	**1,809**	902
	29,066	26,951

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

17 SUBSEQUENT EVENT

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country.

Due to the related precautionary and control measures taken place, the Group postponed the resumption of production in Shandong and Hubei factories after the Chinese New Year. Therefore, the Group's production and operation in the PRC were suspended in late January 2020 but have gradually resumed since late February 2020.

The Group has actively coordinated relevant resources and adjusted production and operation arrangements accordingly. The Group has also paid close attention to the development of COVID-19 outbreak and kept evaluating the impact on the financial position, cash flows and operating results of the Group. As at the date of this annual results announcement, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak. However, if the COVID-19 outbreak continues for a longer period of time, the financial performance of the Group for the year ending 31 December 2020 might be affected but the financial impact cannot be reasonably estimated at this stage.

MANAGEMENT DISCUSSION AND ANALYSIS

Tianyun International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group" or "Tianyun International") is principally engaged in (i) the production and sales of processed fruit products packaged in metal containers, plastic cups and glass containers and (ii) trading of fresh fruit. Processed fruit products are sold under our own brands and on an OEM basis.

As one of the food enterprises with the most complete set of quality certifications, the Group is committed to providing customers with healthy and safe products and has always been dedicated to following stringent international production standards, having been accredited with BRC(A), IFS Food (High), FDA, HALAL, SC, KOSHER, BSCI, ISO22000 and passed the internal food production standard reviews and audits of several European and US supermarket chains in respect of our production facilities, quality control and management. Meanwhile, the Group has been supplying products of equivalent quality to domestic and international markets as a "Equal production line; Equal standard; Equal quality" food production and export enterprise. Since 2016, the Group's own brands of quality processed food products have continuously obtained 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 place the "Zero Added Preservatives" label on its products.

BUSINESS REVIEW

In 2019, the Group continued to receive multiple accolades, including the "40th Anniversary of the Reform and Opening Up of the Country - China Canned Food Brand Award", "2019 China Canned Food Leading Brand" and "China Canned Food Leading Enterprise" by the China Canned Food Industry Association. The Group also made the Most Valuable Chinese Brands for the third consecutive year and stepped across the RMB1 billion mark in assessed brand value for the first time and was also elected as a corporate member of the 2nd Council of the China Council for Brand Development. All these show the high level of market recognition for the Group's outstanding brand value and influence, and also reflect the steady growth of market share and consumer recognition for the Group's own brand products.

According to a recent analysis report on China's processed fruits and vegetables market industry published by Euromonitor International, a global institution on the field of market data and research, Tianyun International is a leading enterprise in the industry, while the industry market size of 2019 has grown by 8% year-on-year to RMB12 billion.

For the Year Under Review, the Group's annual revenue exceeded the RMB1 billion threshold for the first time. Revenue, gross profit and net profit grew by 13.0%, 12.4%, and 14.6%, to RMB1,062.8 million (unaudited), RMB296.0 million (unaudited), and RMB169.1 million (unaudited) respectively. Business of our brand sustained rapid growth, with segment revenue increasing by 31.0% to RMB631.8 million (unaudited), representing 59.4% of the Group's total revenue, proving the success of the Group's business strategy of positioning itself as a food consumption goods enterprise led by the Group's own brands. In view of the Company's positive results and sufficient cash flow, the Board recommends a final dividend of HK$0.03 per share for 2019, representing a growth of 11.1% compared to 2018.

Own Brand and OEM Business

Revenue for products under the Group's own brands, including "天同時代 (Tiantong Times)", "繽果時代 (Bingo Times)" and "果小懶 (fruit zz)" have maintained steady growth during the Year Under Review. Besides continuing active participation in various international and domestic fairs and exhibitions, the Group has been endeavouring to expand into strong sales channels such as regional distributors and large chain supermarkets, enabling well-managed development of the sales network of our own brand and expanding product coverage to 27 provinces, direct municipalities and autonomous regions across the country, as well as 306 exclusive regional distributors, covering renowned chain supermarkets including Auchan, RT-MART, CR Vanguard, AEON, Beijing Jingkelong and Jinan Hualian. The Group successfully enhanced consumer interaction and increased sales through organising various promotional activities. At the same time, the Group expended extra efforts in revolutionising product flavours and packaging with the launch of several small package products and innovative fruit sorbet, bringing different product experiences to consumers. Through diversified marketing and promotional efforts, the Group and its products built up an established brand image and stand firmly at the forefront of leading healthy food enterprises.

As the online sales of physical goods in the PRC has grown in recent years, the Group has continued to optimize the operation of its e-commerce platforms, in order to capture the opportunity presented by the rapid growth of online retail, satisfy the demands of different consumer groups of the online channel, and distinguish itself among fierce industrial competition. During the Year Under Review, the Group conducted a comprehensive upgrade of product packaging, labelling and cartons as well as an update to its online shop website. We implemented various online sales and brand strategies including offering rewards, increasing product types and fruit flavours, which enhanced the online image of our own brand. The Group also responded to the consumers' preferences on online shopping and streaming platforms, promoted products and built brand image on popular live streaming platforms such as TikTok, and successfully increased public access to our online e-commerce shops, which drove and increased product sales. In this respect, the Group has achieved a satisfying performance across online sales platforms from TMall, Wechat Commerce to Pinduoduo.

Moreover, the Group's OEM business maintained stable growth with seamless cooperation with renowned international food brands and continued to expand of our customer base. The Group's OEM processed food products are eventually exported to a relatively dispersed range of regions, allowing us to effectively diversify risks associated with an overly concentrated customer base. As the global market's appetite for processed food products made in China remains massive, the Group will continue to explore more business partnership opportunities in Japan and seek new and quality clients in other markets, such as Canada, Europe, Australia and New Zealand, in order to drive sustainable development in our OEM business.

Trading of Fresh Fruit

For years, the Group has selected and resold a small portion of fresh fruit to domestic fresh fruit wholesalers. A renowned data analytics consultant and Alibaba Group Holding Limited jointly published the 2019 Online Fresh Food Consumption Development Trends Report, predicting that the fresh food market size will grow to RMB1 trillion by 2025. With online shopping becoming part of daily life, this shows that there is massive potential in the online fresh food market. The Group closely monitors the development of China's fresh fruit market, actively seeking partners that have both domestic and international fresh fruit sales channels and reputable Chinese brands associated with fresh fruits, in order to promote more sales, exchange and processing of fresh fruits from different origins of both domestic and overseas market, and bring a richer and more diversified varieties of quality fruits and processed fruits to the consumers at large.

Production Capacity, Research and Development

The Group has continued to improve production facilities during the Year Under Review, in order to raise our level of automation and production efficiency. Currently, the Group has completed the land acquisition for the No. 5 and No. 6 production workshops in Shandong, and preparation work is under way and various construction projects are expected to commence as soon as possible and complete in the first half of 2021. During the Year Under Review, Yichang Tiantong has continued to transform its facilities and enhance its capacity, effectively increasing the Group's production capacity for new products and existing processed fruit products, while also facilitating the Group's arrangements with warehousing and transportation of its own brand products in Central China as well as developing subtropical fruit products. During the Year Under Review, Yichang Tiantong carried out production smoothly and has successfully increased production capacity and fulfilled its production goals in 2019 during its production peak season in the second half of 2019.

The Group is of the view that innovation is fundamental to corporate development. Only through research and innovation can an enterprise continuously maintain dynamics in development and thus achieving better and faster development. The Group always upgrades and improves its production technology and products to achieve healthy and long-term development. Being committed to its mission of food safety, the Group has actively invested in research and development of new products with its proprietary and core technology to satisfy consumers at large for their desire of new tastes and demands for diverse fruit products. During the Year Under Review, the Group was accredited as the 8th batch of the municipal level "One Technique for One Enterprise" R&D centre (第八批市級「一企一技術」研發中心) by the municipal government of Linyi City of Shandong Province. This is a significant recognition on the Group's capability on its independent innovation.

Furthermore, the Group has gradually achieved its operating goal of deseasonalisation. During the Year Under Review, the Group successfully utilised new modern cold storage technology to extend fruit storage period and stretching a longer seasonal cycle for fruit processing. The Group also launched more types of processed fruit products, such as loquat, mango, and grape, to satisfy consumers at large. Additionally, the Group successfully developed a proprietary formula for a functional sport drink and obtained the relevant production permit. The Group has entered into the final stage of development of new products such as fruit tea and fruit-flavoured bubble tea. The Group will commence production of and launch various special beverage products depending on market conditions.

Merger and Acquisition and Strategic Partnership

During the Year Under Review, the Group has also actively built on its strength through merger and acquisition and implementing strategic measures. Besides the signing of a memorandum of partnership with Sichuan Development Holding Ltd (四川發展(控股)有限責任公司, "SDH") at the beginning of 2019 to leverage both parties' strengths and deepen cooperation in the agriculture field, the Group established a joint venture company in Sichuan Province of PRC with Sichuan Yizhan Enterprise Co., Ltd., (四川怡展實業有限公司, "Sichuan Yizhan"), a subsidiary of Sichuan Development International Holding Company Ltd ("SDIH"), to jointly develop a supply chain for processed agricultural and food products as well as a base for supply of raw materials that comply with international standards. In June 2019, the Group, SDIH and SC Foods Co., Ltd. ("SC Foods"), a Japanese food enterprise, signed a tripartite "memorandum of strategic cooperation", intending to develop strategic cooperation in respect of the international market, which includes assisting the Group to implement and operate the food processing and international trading centre project. The Group is confident that a partnership positioning in a precise way on the domestic and international levels will provide greater drive for long-term business development and develop fruit products such as freeze-dried, fruit conserve, jelly, fruit sorbet and fresh fruits etc. with regional characteristics. During the Year Under Review, the Group has actively commenced vital preliminary work such as land acquisition, environmental, safety, filing, and design works etc. for its Sichuan project.

Outlook

In 2019, we maintained robust sales growth in our target markets with steady expansion for both online and offline distribution networks. Meanwhile, various financial and operation indices also show stable positive development, giving us confidence in the Group's mid and long-term prospects. Looking forward, under a strong and stable business foundation, together with the smooth and gradual progress in the agriculture collaboration project with Sichuan Development, and expected increase in overall capacity of the Group, we will continue to integrate diverse merger and acquisition, and inherent growth strategies to consolidate our position as market leader. Having entered into the strategic cooperation with SC Foods from Japan in mid-2019, we will continue to promote quality agricultural products and related processed food products to the global market.

Since the Group established its strategic partnership with a renowned beverage enterprise in November 2019, we will develop special and sport beverage products and construct relevant facilities and production lines. The Group's products in the future will expand from the current focus on various processed fruit and related products to the beverage field, which is in line with our committed deseasonalisation strategy in recent years. As for new packaging, it is expected that a new form of Tetra Pak packaging that is more environmentally friendly, convenient and oriented towards the PRC market will be launched along with the new project in Shandong with regard to No. 5 and No.6 production workshops. The new packaging is expected to lead to significant increase in product types and specifications, and raise volume of production orders.

In the future, the management will focus on the "fruit processing" industrial chain, continue to actively procure strategic partnership, merger and acquisition and investment opportunities with subtropical fruit businesses and international food and beverage brands, improve comprehensively the Group's operation efficiency, intensify deseasonalisation, increase product types, enhance and upgrade product packaging and design, optimise and expand our distributor network, strengthen brand competitiveness, and implement online and offline advertising and promotion for our products with different positioning, in order to boost the Group's revenue and profitability, and ensure our success.

Please refer to note 17 of the consolidated financial statements for the subsequent event regarding COVID-19 outbreak.

FINANCIAL REVIEW

Revenue

During the Year Under Review, our revenue increased to approximately RMB1,062.8 million (unaudited) from approximately RMB940.5 million for the year ended 31 December 2018, representing an increase of approximately RMB122.3 million or 13.0%. The Group 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 increase in the sales of our own brand products of approximately RMB149.5 million (unaudited) during the Year Under Review, and was partially offset by a moderate decrease in the OEM sales, and fresh fruit sales and others of approximately RMB23.8 million (unaudited) and RMB3.4 million (unaudited) respectively.

Breakdown of the unaudited revenue by business segments for the year ended 31 December 2019 and the comparative audited figures in 2018 is set out as follows:

	For the year ended 31 December			
	2019	2018	Changes	
	RMB million **(unaudited)**	*RMB million*	*RMB million*	*%*
Revenue				
Own Brand Sales	**631.8**	482.3	149.5	31.0
OEM Sales	**338.5**	362.3	(23.8)	(6.6)
Fresh Fruits Sales and Others	**92.5**	95.9	(3.4)	(3.5)
Total	**1,062.8**	940.5	122.3	13.0

During the Year Under Review, processed fruit products sold under our own brand accounted for 59.4% (unaudited) (2018: 51.3%) of the total revenue and represented the largest business segment of the Group. Own brand sales increased from approximately RMB482.3 million for the year ended 31 December 2018 to approximately RMB631.8 million (unaudited) for the year ended 31 December 2019, representing a growth of 31.0%. The increase was mainly contributed by the continuous increase in the number of exclusive regional distributors and the growing sales from the distributors in most of the key provinces in the PRC. The number of our exclusive distributors increased from 210 as at the date of annual report for the year ended 31 December 2018 to 306 as at the date of this announcement. During the Year Under Review, the revenue from own brand sales through online channels increased by approximately RMB1.9 million or 2.6% to RMB73.7 million (unaudited) (2018: 71.8 million).

Revenue from processed fruit products sold on an OEM basis continued to contribute a significant portion of the total revenue of the Group and represented 31.8% (2018: 38.5%) of the total revenue during the Year Under Review. Our processed fruit products are mainly sold to international and well-known brand owners either by our Group directly to overseas brand owners and trading entities, or through local import and export entities based in the PRC. During the Year Under Review, revenue from OEM sales moderately decreased by RMB23.8 million or 6.6% from approximately RMB362.3 million for the year ended 31 December 2018 to approximately RMB338.5 million (unaudited) for the year ended 31 December 2019.

We also sold fresh fruit and revenue contributed by fresh fruit sales and others represented 8.7% of the total revenue for the year ended 31 December 2019 (2018: 10.2%). Revenue from fresh fruit sales and others during the Year Under Review slightly decreased by RMB3.4 million or 3.5% to approximately RMB92.5 million (unaudited). Revenue from fresh fruit sales during the Year Under Review was broadly the same as in 2018 and the decrease was mainly attributable to the drop in the revenue from frozen fruit sales and other miscellaneous items.

Other income, and other losses, net

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

Gross profit and gross profit margin

	For the year ended 31 December			
	2019	2018	Changes	
	RMB million (unaudited)	*RMB million*	*RMB million*	*%*
Gross profit				
Own Brand Sales	**171.4**	148.4	23.0	15.5
OEM Sales	**109.0**	104.1	4.9	4.7
Fresh Fruits Sales and others	**15.6**	10.8	4.8	4.4
Total gross profit	**296.0**	263.3	32.7	12.4

Gross profit for the year ended 31 December 2019 increased to approximately RMB296.0 million (unaudited) from approximately RMB263.3 million for the year ended 31 December 2018, representing a year-on-year increase of RMB32.7 million, or 12.4%. The increase was mainly driven by increase in revenue from own brand sales and reduction in cost of sales from OEM sales and fresh fruit sales.

	For the year ended 31 December	
	2019	2018
	(unaudited)	
Gross profit margin		
Own Brand Sales	**27.1%**	30.8%
OEM Sales	**32.2%**	28.7%
Fresh Fruits Sales and others	**16.9%**	11.3%
Overall gross profit margin	**27.9%**	28.0%

During the Year Under Review, the gross profit margin was 27.9% (unaudited) which was broadly the same as in 2018.

The gross profit margin from the OEM sales improved mainly because the extent of increase in the average selling price of OEM products was generally higher than the extent of increase in average production cost during the Year Under Review. The drop in the gross profit margin of own brand sales was mainly due to the change of the sales of the processed fruit product mix and and our strategy to keep a similar level of average selling price during the Year Under Review. We also provided more incentives to the distributors in order to encourage distributors to organize more promotion activities in their respective exclusive distribution regions. With regard to gross profit margin of fresh fruit sales and others, if certain other and miscellaneous adjustments are excluded, the gross profit margin of fresh fruit sales increased slightly to 24.8% (unaudited) for the year ended 31 December 2019 (2018: 24.2%).

Selling and distribution expenses

Selling and distribution expenses mainly include the transportation and delivery costs, promotion and advertising expenses, and salary and related staff costs from sales and marketing department. For the year ended 31 December 2019, the selling and distribution expenses increased from approximately RMB14.3 million for the year ended 31 December 2018 to approximately RMB18.3 million (unaudited), representing a year-on-year increase of approximately RMB4.0 million, or 28.0%. The increase was mainly attributable to revenue growth, and more promotion and marketing activities with distributors for our own brand business 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, depreciation, foreign exchange differences, and various taxes with regard to the use of land and buildings. The amount increased from RMB34.9 million for the year ended 31 December 2018 to RMB46.0 million (unaudited) for the year ended 31 December 2019, representing a year-on-year increase of approximately RMB11.1 million, or 31.8%.

Without taking into accounts the effect of exchange difference and various one-off or non-recurring items, including bonus reclassification, allowances, disposal of non-current assets and professional fees during the Year Under Review, general and administrative expenses increased by approximately 11.2% or RMB3.8 million (unaudited) for the year ended 31 December 2019. The increase was mainly attributable to the increase in research and development costs, depreciation and general rise in salary expenses.

Income tax expenses

Income tax expenses represent mainly the PRC enterprise income tax payable by our PRC subsidiaries. For the year ended 31 December 2019, our income tax expenses increased by RMB3.1 million, or approximately 5.9%, to RMB56.0 million (unaudited) from RMB52.9 million for the year ended 31 December 2018. The increase in the income tax expenses was primarily due to increase in our PRC assessable income during the Year Under Review.

Net profit and net profit margin

For the year ended 31 December 2019, net profit increased by approximately RMB21.6 million or 14.6% to approximately RMB169.1 million (unaudited) as compared to approximately RMB147.5 million for the year ended 31 December 2018. The overall increase of net profit during the Year Under Review was mainly due to the growth of revenue and gross profit, and improvement of net finance costs and income tax expenses. The net profit margin for the Year Under Review was 15.9% (unaudited) (2018: 15.7%).

Liquidity, financial resources and capital resources

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

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

	As at 31 December 2019 (unaudited)	As at 31 December 2018
Gearing ratio (%)	**22.8%**	20.6%
Current ratio	**2.65**	2.39
Cash and cash equivalent (RMB million)	**472.0**	464.6
Net current assets (RMB million)	**475.6**	389.6
Quick ratio	**2.30**	2.05

The gearing ratio of the Group as at 31 December 2019 was 22.8% (unaudited) (31 December 2018: 20.6%). Gearing ratio was calculated based on total debts divided by total equity. The amount of total debts was calculated by aggregating the bank and other borrowings (excluding the amount due to a substantial shareholder).

The current ratio (calculated based on total current assets divided by total current liabilities) of the Group as at 31 December 2019 was 2.65 (unaudited) (31 December 2018: 2.39).

As at 31 December 2019, our cash and cash equivalents amounted to approximately RMB472.0 million (unaudited) (31 December 2018: RMB464.6 million). Our net current assets was approximately RMB475.6 million (unaudited) as at 31 December 2019, as compared to approximately RMB389.6 million as at 31 December 2018.

The quick ratio (calculated based on total currents assets (excluding inventory) divided by total current liabilities) of the Group as at 31 December 2019 was 2.30 (unaudited) (31 December 2018: 2.05). With stable cash inflows generated in the daily business operation, the Group has sufficient financial resources for potential future expansion.

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

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

Capital structure

The Group's total equity and liabilities amounted to approximately RMB894.1 million (unaudited) and RMB297.7 million (unaudited), respectively as at 31 December 2019 (31 December 2018: RMB766.1 million and RMB323.8 million).

Bank and other borrowings, and net finance costs

As at 31 December 2019, the total amount of interest-bearing bank and other borrowings was approximately RMB203.4 million (unaudited) (31 December 2018: RMB157.8 million). During the Year Under Review, the Group increased net bank borrowings of approximately RMB45.6 million (unaudited).

Net finance costs of the Group decreased from RMB12.0 million for the year ended 31 December 2018 to RMB9.0 million (unaudited) for the year ended 31 December 2019, representing a decrease of approximately RMB3.0 million or 25.0%. Such decrease was mainly attributable to the increase in interest income and the full repayment of the outstanding principal under the convertible bonds and the interest accrued in the last quarter of 2018 and no interest expenses related to convertible bonds was incurred in 2019. The extent of decrease of interest expenses was offset by the increase in bank borrowings and interest paid to a substantial shareholder for a loan of one-year term during the Year Under Review.

Pledged assets

The Group pledged its right-of-use assets (2018: leasehold land and land use rights) and buildings as collateral for the bank borrowings. As at 31 December 2019, the net book value of pledged right-of-use assets and buildings amounted to approximately RMB138.0 million (unaudited) (31 December 2018: land and buildings RMB143.6 million).

Capital expenditure

During the Year Under Review, we made several improvement works and built some key environmental protection facilities for the sustainable development of own business. Our total capital expenditure amounted to RMB45.4 million (unaudited) (2018: RMB10.7 million). Regarding our production base in Shandong province, approximately RMB13.7 million (unaudited) were incurred to improve our production workshops, renovate our new office in the integrated development centre and add new plants and equipment. We also acquired the land use rights of a parcel of land that is adjacent to our existing production base in Shandong province with a total cost of approximately RMB15.6 million (unaudited). The prepayment under non-current assets during the Year Under Review was related to the prepayment for the planning and construction works for the new No. 5 and No. 6 workshops in Shandong.

With regard to our production base in Hubei province, approximately RMB30.4 million (unaudited) were added in building a new sewage treatment system, improving the production workshop and adding new plants and equipment.

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 rates exposes the Group to cash flow interest rate risk which is partially offset by the bank balances held at variable rates. The borrowings of the Group at fixed interest rates also expose the Group to fair value interest rate risk. During the Year Under Review, the bank and other borrowings of the Group at variable rates and fixed rates were all denominated in Renminbi or HKD. The cash deposits placed with banks generate interest at the prevailing market interest rate.

Foreign currency exposure

The Group mainly operates in the PRC and most of the transactions are conducted in Renminbi. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to bank deposits, bank and other loans and trade receivables denominated in the United States dollars or Hong Kong dollars. 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 monitor its foreign exchange exposure from time to time and will consider implementing hedging measures if necessary.

Human resources

As at 31 December 2019, the number of employees of the Group was 722 (unaudited) (31 December 2018: 736). The total staff costs, including Directors' emoluments, amounted to approximately RMB61.8 million (unaudited) for the Year Under Review (31 December 2018: approximately RMB49.4 million). The emoluments payable to the Directors are subject to their respective terms of engagement approved by the Remuneration 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 contribute to retirement funds for employees so as to sustain the competitiveness of the Group.

Commitments and contingent liabilities

As at 31 December 2019, 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 2019, amounted to approximately RMB49.3 million (unaudited) (31 December 2018: RMB12.8 million).

Material acquisitions and disposals

On 11 February 2019, the Company and Sichuan Yizhan, a subsidiary of a substantial shareholder of the Company, SDIH, entered into a conditional joint investment agreement, pursuant to which the Company and Sichuan Yizhan agreed to establish a joint venture company in Sichuan province, the PRC, to fully utilize the respective strengths of each party, geographical advantages of Sichuan province and policy advantage of the "Belt and Road Initiative", to collaborate in developing a supply chain for processed agricultural and food products and a base for supply of raw materials that complies with international standards. According to the business plan, the Company shall invest RMB140 million and Sichuan Yizhan shall invest RMB60 million in the registered capital of the joint venture company. The joint venture company was subsequently established on 30 July 2019 with a registered but not yet paid capital of RMB200 million.

The acquisition of the land use rights adjacent to our Shandong production base in Shandong province for establishing the No. 5 and No. 6 production workshops was completed in the last quarter of 2019.

During the year ended 31 December 2019 and up to the date of this announcement, 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

The Audit Committee has reviewed together with the management 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 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in various parts of China to combat the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited annual results will be made after the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting will be held; and (iii) the period during which the register of members of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process. The Company expects the auditing process will be completed on or before 30 April 2020.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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 is also 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 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$0.03 per share for the year ended 31 December 2019, subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company.

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 2019 annual report of the Company will be despatched to shareholders of the Company and published on the aforesaid websites in due course.

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

Hong Kong, 30 March 2020

As at the date of this announcement, the Board of the Company comprises (i) Mr. Yang Ziyuan, Mr. Sun Xingyu and Mr. Wang Hu as the executive Directors; (ii) Ms. Chu Yinghong, Mr. Wong Yim Pan and Mr. Liu Zhumeng as the non-executive Directors; and (iii) Mr. Liang Zhongkang, Prof. Lu Yuanping and Mr. O'Yang Wiley as the independent non-executive Directors.