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## **TIANYUN INTERNATIONAL HOLDINGS LIMITED**

**天韵國際控股有限公司**

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock Code: 6836)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **HIGHLIGHTS**

**For the year ended  
31 December**

	<b>2020</b>	2019
	<i>RMB million</i>	<i>RMB million</i>

#### **Key financial data**

Revenue	<b>850.3</b>	1,062.8
Gross profit	<b>234.6</b>	296.0
Net profit	<b>149.1</b>	169.1
Basic earnings per share <sup>Note</sup> (HK\$)	<b>0.179</b>	0.192

As compared with 2019:

- Basic earnings per share <sup>Note</sup> decreased by 6.8% to HK\$0.179
- Total revenue decreased by 20.0% to RMB850.3 million
- Gross profit decreased by 20.7% to RMB234.6 million
- Net profit decreased by 11.8% to RMB149.1 million

*Note:* Expressed in HK\$ using the respective year end RMB versus HK\$ exchange rates. Basic earnings per share (expressed in RMB) was 0.151 and 0.172 in 2020 and 2019 respectively.

The board of directors (the “Directors” 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 2020 together with the comparative figures for the year ended 31 December 2019. The results have been reviewed by the audit committee of the Company.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2020</b>	2019
		<b>RMB'000</b>	<b>RMB'000</b>
Revenue	5	<b>850,250</b>	1,062,767
Cost of sales		<b>(615,644)</b>	(766,726)
<b>Gross profit</b>		<b>234,606</b>	296,041
Other income		<b>2,645</b>	4,753
Other losses, net		<b>(6,624)</b>	(2,539)
Selling and distribution expenses		<b>(15,301)</b>	(18,295)
General and administrative expenses		<b>(39,230)</b>	(45,980)
<b>Operating profit</b>		<b>176,096</b>	233,980
Finance income	6	<b>15,611</b>	4,185
Finance costs	6	<b>(8,620)</b>	(13,144)
Finance income/(costs) – net		<b>6,991</b>	(8,959)
<b>Profit before income tax</b>		<b>183,087</b>	225,021
Income tax expense	7	<b>(33,952)</b>	(55,960)
<b>Profit and total comprehensive income, net of tax for the year</b>		<b>149,135</b>	169,061
<b>Profit and total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>149,253</b>	169,090
Non-controlling interest		<b>(118)</b>	(29)
		<b>149,135</b>	169,061
<b>Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB dollar)</b>			
– Basic earnings per share	8	<b>0.151</b>	0.172
– Diluted earnings per share	8	<b>0.151</b>	0.171

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2020*

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2020</b>	2019
		<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	<i>10</i>	<b>78,638</b>	81,079
Property, plant and equipment	<i>11</i>	<b>384,447</b>	286,435
Investment properties	<i>12</i>	<b>30,300</b>	30,300
Prepayments	<i>13</i>	<b>31,419</b>	30,000
Goodwill		<b>1,104</b>	1,104
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>525,908</b>	428,918
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories		<b>86,969</b>	101,951
Trade and other receivables	<i>13</i>	<b>218,064</b>	187,583
Restricted cash		<b>5,000</b>	1,407
Cash and cash equivalents		<b>528,287</b>	471,992
		<hr/>	<hr/>
<b>Total current assets</b>		<b>838,320</b>	762,933
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets</b>		<b>1,364,228</b>	1,191,851
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<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	<i>14</i>	<b>141,685</b>	168,437
Reserves		<b>874,947</b>	725,694
		<hr/>	<hr/>
		<b>1,016,632</b>	894,131
Non-controlling interest		<b>(147)</b>	(29)
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,016,485</b>	894,102
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**  
*AS AT 31 DECEMBER 2020*

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2020</b>	2019
		<i>RMB'000</i>	<i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Contingent consideration payable		–	6,962
Lease liabilities	<i>10</i>	–	355
Deferred tax liabilities		<b>4,590</b>	3,067
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>4,590</b>	10,384
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Trade and bills payables	<i>15</i>	<b>19,776</b>	29,066
Accruals and other payables		<b>28,570</b>	22,599
Amount due to a substantial shareholder		<b>81,630</b>	20,301
Amount due to the non-controlling interest		–	103
Bank and other borrowings		<b>180,388</b>	203,445
Contingent consideration payable		<b>20,207</b>	6,963
Lease liabilities	<i>10</i>	<b>355</b>	410
Current income tax liabilities		<b>12,227</b>	4,478
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>343,153</b>	287,365
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>		<b>1,364,228</b>	1,191,851
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## **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 beverages, 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 12) 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) Amended standards and framework adopted by the Group

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

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

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

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

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

<sup>1</sup> effective for annual period beginning on or after 1 January 2021

<sup>2</sup> effective for annual period beginning on or after 1 January 2022

<sup>3</sup> effective for annual period beginning on or after 1 January 2023

<sup>4</sup> to be determined

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

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

#### **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 Chief Executive Officer (“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 and beverage 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 (“PRC”). For the year ended 31 December 2020, the Group’s revenue of RMB794,348,000 (2019: RMB1,019,913,000) was generated from domestic and overseas customer based in the PRC and paid in RMB, and the Group’s revenue of RMB55,902,000 (2019: RMB42,854,000) was generated from direct overseas customers paid in foreign currencies. Substantially all non-current assets were located in the PRC.

##### **Segment assets and liabilities**

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

##### **Information about major customers**

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

## 5 REVENUE

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
<b>Revenue recognised at point in time</b>		
Domestic sales	794,348	1,019,913
Direct overseas sales	55,902	42,854
	<u>          </u>	<u>          </u>
Total sale of goods	<b>850,250</b>	<b>1,062,767</b>

## 6 FINANCE INCOME/(COSTS) – NET

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

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

## 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 2020 and 2019 on the estimated assessable profit for the years. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years.

### **PRC corporate income tax**

PRC corporate income tax has been provided at the rate of 25% of the profits for the PRC statutory financial reporting purpose for the years ended 31 December 2020 and 2019, adjusted for those items which are not assessable or deductible for the PRC corporate income tax purpose. Certain subsidiaries of the Group are entitled to preferential tax incentives in the cities where the subsidiary is located. Shandong Tiantong Food Co., Ltd., a subsidiary has been approved as High and New Technology Enterprise, and accordingly, it was subjected to a preferential corporate income tax rate of 15% for the year ended 31 December 2020.

### **PRC withholding tax**

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

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

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

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
<b>Current income tax:</b>		
PRC corporate income tax	<u>32,429</u>	<u>54,465</u>
<b>Withholding tax relating to PRC subsidiaries:</b>		
Provision for the year	<u>1,523</u>	<u>1,495</u>

## 8 EARNINGS PER SHARE

### (a) Basic

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

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

**(b) Diluted**

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Adjusted profit attributable to shareholders of the Company for calculation diluted earnings per share	<b>149,253</b>	169,090
	<b>Number of shares</b>	
	2020	2019
Weighted average number of ordinary shares in issue ( <i>thousand</i> )	<b>977,462</b>	977,462
Total number of issuable share	<b>9,686</b>	7,919
Effect of dilutive potential shares:		
Share options of the Company assumed to be exercised ( <i>thousand</i> )	<b>19</b>	511
Less: weighted average of shares held under share award scheme ( <i>thousand</i> )	<b>(2,216)</b>	(2,167)
Weighted average number of shares for calculation of diluted earnings per share ( <i>thousand</i> )	<b>984,951</b>	983,725
Diluted earnings per share ( <i>RMB dollar</i> )	<b>0.151</b>	0.171

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

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

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

## 9 DIVIDENDS

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

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

## 10 LEASES

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

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

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

### (a) Right-of-use assets

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

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

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

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

**(b) Lease liabilities**

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Amount due for settlement within 12 months (shown under current liabilities)	<b>355</b>	410
Amount due for settlement after 12 months	<b>–</b>	355
	<b><u>355</u></b>	<b><u>765</u></b>

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

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

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

## 11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 January 2019</b>								
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)
<b>Net book amount</b>	<b>145,329</b>	<b>59,690</b>	<b>225</b>	<b>48,205</b>	<b>3,062</b>	<b>2,450</b>	<b>3,206</b>	<b>262,167</b>
<b>Year ended 31 December 2019</b>								
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)
<b>Closing net book amount</b>	<b>154,726</b>	<b>70,841</b>	<b>252</b>	<b>47,603</b>	<b>2,631</b>	<b>2,661</b>	<b>7,721</b>	<b>286,435</b>
<b>At 31 December 2019</b>								
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)
<b>Net book amount</b>	<b>154,726</b>	<b>70,841</b>	<b>252</b>	<b>47,603</b>	<b>2,631</b>	<b>2,661</b>	<b>7,721</b>	<b>286,435</b>
<b>Year ended 31 December 2020</b>								
Opening net book amount	154,726	70,841	252	47,603	2,631	2,661	7,721	286,435
Additions	320	48,413	–	8,768	–	1,674	62,279	121,454
Transfer	(342)	6,124	–	801	–	–	(6,925)	(342)
Disposals	–	–	–	(52)	–	–	–	(52)
Depreciation	(8,345)	(5,897)	(59)	(6,881)	(431)	(1,435)	–	(23,048)
<b>Closing net book amount</b>	<b>146,359</b>	<b>119,481</b>	<b>193</b>	<b>50,239</b>	<b>2,200</b>	<b>2,900</b>	<b>63,075</b>	<b>384,447</b>
<b>At 31 December 2020</b>								
Cost	175,085	149,019	483	88,795	5,356	9,297	63,075	491,110
Accumulated depreciation	(28,726)	(29,538)	(290)	(38,556)	(3,156)	(6,397)	–	(106,663)
<b>Net book amount</b>	<b>146,359</b>	<b>119,481</b>	<b>193</b>	<b>50,239</b>	<b>2,200</b>	<b>2,900</b>	<b>63,075</b>	<b>384,447</b>

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

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

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

## 12 INVESTMENT PROPERTIES

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

### Amounts recognised in profit or loss for investment properties

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Rental income	<b>729</b>	657
Fair value loss recognised	<b>(342)</b>	(4,164)

### Principal investment properties

<b>Location</b>	<b>Approximate gross floor area (square meter)</b>	<b>Category of the lease term</b>
Northside of Fenghuang Main Street, Westside of Wenquan Road, Linyi City, Shandong Province, the PRC	5,917 m <sup>2</sup> (2019: 5,825 m <sup>2</sup> )	Land use rights for a term to expire 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 2020	As at 31 December 2019
Retail-Ground floor	Direct comparison	Adjusted market price (RMB/square meter)	<b>5,000-6,470</b>	5,000-6,500
Retail-others	Direct comparison	Adjusted market price (RMB/square meter)	<b>3,500-4,700</b>	3,500-5,000

**13 TRADE AND OTHER RECEIVABLES**

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

(a) **Trade receivables**

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

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

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

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

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Overdue		
Less than 30 days	<b>170</b>	29
	<b><u>170</u></b>	<b><u>29</u></b>

The trade receivables are denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
RMB	<b>168,216</b>	179,894
USD	<b>5,081</b>	1,412
	<b><u>173,297</u></b>	<b><u>181,306</u></b>

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 charged within operating profit in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

**(c) Prepayments and other receivables**

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

## 14 SHARE CAPITAL

### Authorised ordinary shares

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

### Issued and fully paid ordinary shares

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

*Note:*

- (a) Distribution of share capital as dividends

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

## 15 TRADE AND BILLS PAYABLES

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables	<u>19,776</u>	<u>29,066</u>

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

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

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

## 16 SUBSEQUENT EVENT

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

## MANAGEMENT DISCUSSION AND ANALYSIS

Tianyun International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group” or “Tianyun International”) are principally engaged in (i) the production and sales of processed fruit products packaged in metal containers, plastic cups, glass containers and aluminium foil bags, (ii) the production and sales of beverage products and (iii) trading of fresh fruit. Processed fruit products are sold under our own brands “繽果時代 (Bingo Time)”, “天同時代 (Tiantong Times)” and “果小懶 (fruit zz)” and on an OEM basis. Beverage products are sold under our own brand “Shiok Party”.

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. The Group has 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 in China. 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.

According to an analysis report on China’s processed fruits and vegetables market industry published by Euromonitor International, a global institution on market data and research, Tianyun International is a leading enterprise in the industry. Being a well-established player in the processed fruits industry, the Group has long been recognised for its brand, image and product quality.

## **BUSINESS REVIEW**

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

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

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

## **Own Brand and OEM Business**

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

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

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

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

### **Trading of Fresh Fruit**

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

### **Production Capacity, Research and Development**

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

## **Merger and Acquisition and Strategic Partnership**

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

## **Outlook**

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

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

## FINANCIAL REVIEW

### Revenue

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

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

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

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

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

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

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

### Gross profit and gross profit margin

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

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

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

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

### **Other income, and other losses, net**

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

### **Selling and distribution expenses**

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

### **General and administrative expenses**

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

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

### **Income tax expenses**

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

### **Net profit and net profit margin**

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

### **Liquidity, financial resources and capital resources**

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

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

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

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

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

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

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

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

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

### **Capital structure**

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

### **Bank and other borrowings, and net finance costs**

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

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

### **Pledged assets**

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

### **Capital expenditure**

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

### **Interest rate risk**

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

## **Foreign currency exposure**

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

## **Human resources**

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

## **Commitments and contingent liabilities**

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

## **Material acquisitions and disposals**

During the year ended 31 December 2020 and up to the date of this 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 2020.

## **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 2020.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft 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 2020.

## **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 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 resolved not to declare any final dividend for the year ended 31 December 2020.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the shareholders ("2021 AGM") will be held on Wednesday, 26 May 2021, while the notice and circular convening the 2021 AGM will be published and dispatched to the shareholders in accordance with the requirements of the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2021 AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 May 2021.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.tianyuninternational.com](http://www.tianyuninternational.com). The 2020 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 2021

*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, Prof. Lu Yuanping and Mr. O'Yang Wiley as the independent non-executive Directors.*