

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **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 2022**

<b>HIGHLIGHTS</b>	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>
<b>Key financial data</b>		
Revenue	<b>680.7</b>	871.6
Gross profit	<b>189.8</b>	235.1
Gross profit margin	<b>27.9%</b>	27.0%
Net profit/(loss)	<b>96.6</b>	(0.9)
Proposed final dividend per ordinary share (HK\$)	<b>0.05</b>	–

- Revenue decreased by 21.9% to RMB680.7 million as compared with the corresponding period in 2021
- Gross profit decreased by 19.3% to RMB189.8 million as compared with the corresponding period in 2021
- Gross margin increased to 27.9% in 2022
- Net profit of RMB96.6 million was reported for the year ended 31 December 2022
- A final dividend of HK\$0.05 per ordinary share was proposed

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 2022 (the “**Year Under Review**”) together with the comparative figures for the year ended 31 December 2021. The results have been reviewed by the audit committee of the Company.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

		<b>Year ended 31 December</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	5	<b>680,727</b>	871,578
Cost of sales		<u><b>(490,879)</b></u>	<u>(636,499)</u>
<b>Gross profit</b>		<b>189,848</b>	235,079
Other income, net		<b>918</b>	4,559
Other (losses)/gains, net		<b>(2,054)</b>	2,763
Selling and distribution expenses		<b>(9,285)</b>	(22,088)
Research and development expenses		<b>(22,894)</b>	(27,600)
General and administrative expenses		<b>(40,307)</b>	(30,942)
Loss on deconsolidation of Yichang Tiantong Group		–	(135,265)
Impairment loss on amount due from Yichang Tiantong Group		<u><b>(10,125)</b></u>	<u>(13,017)</u>
<b>Operating profit</b>		<b>106,101</b>	13,489
Finance income		<b>17,310</b>	15,585
Finance costs		<u><b>(6,170)</b></u>	<u>(749)</u>
Finance income – net		<u><b>11,140</b></u>	<u>14,836</u>
<b>Profit before income tax</b>		<b>117,241</b>	28,325
Income tax expense	6	<u><b>(20,637)</b></u>	<u>(29,264)</u>
<b>Profit/(loss) and total comprehensive income/ (expense), net of tax for the year</b>		<u><b>96,604</b></u>	<u>(939)</u>
<b>Profit/(loss) and total comprehensive income/ (expense) attributable to the equity holders of the Company</b>		<u><b>96,604</b></u>	<u>(939)</u>
<b>Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company for the year</b> (expressed in RMB dollar)			
– Basic earnings/(loss) per share	7	<u><b>0.098</b></u>	<u>(0.001)</u>
– Diluted earnings/(loss) per share	7	<u><b>0.098</b></u>	<u>(0.001)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

		<b>As at 31 December</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		125,976	130,698
Property, plant and equipment		298,837	306,025
Investment properties		29,800	30,100
Prepayments and other receivables		96,075	99,358
<b>Total non-current assets</b>		<u>550,688</u>	<u>566,181</u>
<b>Current assets</b>			
Inventories		39,063	74,451
Trade and other receivables	9	123,117	164,501
Cash and cash equivalents		659,630	490,106
<b>Total current assets</b>		<u>821,810</u>	<u>729,058</u>
<b>Total assets</b>		<u>1,372,498</u>	<u>1,295,239</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	10	158,929	158,929
Reserves		970,612	874,008
<b>Total equity</b>		<u>1,129,541</u>	<u>1,032,937</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		–	302
Deferred tax liabilities		7,633	6,481
<b>Total non-current liabilities</b>		<u>7,633</u>	<u>6,783</u>
<b>Current liabilities</b>			
Trade payables	11	10,616	17,641
Accruals and other payables		25,259	34,649
Amount due to a substantial shareholder		116,649	104,000
Bank borrowings		75,011	92,286
Lease liabilities		322	347
Current income tax liabilities		7,467	6,596
<b>Total current liabilities</b>		<u>235,324</u>	<u>255,519</u>
<b>Total equity and liabilities</b>		<u>1,372,498</u>	<u>1,295,239</u>

# 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 and beverage 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 the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and Hong Kong Companies Ordinance Cap.622, and have been prepared under the historical cost convention as modified by the valuation of investment properties which is stated at fair value.

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

## 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:

- Amendments to HKFRS 3, “Reference to the Conceptual Framework”
- Amendment to HKFRS 16, “Covid-19-Related Rent Concessions beyond 30 June 2021”
- Amendments to HKAS 16, “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to HKAS 37, “Onerous Contracts – Cost of Fulfilling a Contract”
- Amendments to HKFRSs, “Annual Improvements to HKFRSs 2018-2020”

The adoption of amendments to existing standards and framework did not have a significant effect on the consolidated financial statements or result in any significant changes in the Group's accounting policies.

**(b) New and amended standards that have been issued but are not effective for the financial year beginning 1 January 2022 and have not been early adopted**

- HKFRS 17 and Amendments to HKFRS17, "Insurance Contract"<sup>1</sup>
- Amendments to HKFRS 10 and HKAS 28, "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"<sup>2</sup>
- Amendments to HKFRS 16, "Lease Liability in a Sale and Leaseback"<sup>3</sup>
- Amendments to HKAS 1, "Classification of Liabilities as Current or Non-current and related Amendments to Hong Kong Interpretation 5 (2020)"<sup>1</sup>
- Amendments to HKAS 1 and HKFRS Practice Statement 2, "Disclosure of Accounting Policies"<sup>1</sup>
- Amendments to HKAS 8, "Definition of Accounting Estimates"<sup>1</sup>
- Amendments to HKAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"<sup>1</sup>

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

<sup>2</sup> to be determined

<sup>3</sup> effective for annual periods beginning on or after 1 January 2024

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 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 sales of processed fruit and beverage products and trading of fresh fruits, and segment information are not presented.

The Company is domiciled in the British Virgin Islands while the Group operates its business in the PRC. For the year ended 31 December 2022, the Group's revenue of RMB644,547,000 (2021: RMB821,770,000) was generated from domestic and overseas customer based in the PRC and paid in RMB, and the Group's revenue of RMB36,180,000 (2021: RMB49,808,000) 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 years ended 31 December 2022 and 2021.

#### 5 REVENUE

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Revenue recognised at point in time</b>		
Domestic sales	<b>644,547</b>	821,770
Direct overseas sales	<b>36,180</b>	49,808
	<hr/>	<hr/>
Total sale of goods	<b>680,727</b>	871,578
	<hr/>	<hr/>

## 6 INCOME TAX EXPENSE

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax	19,485	27,373
Deferred income tax	1,152	1,891
	<u>20,637</u>	<u>29,264</u>

## 7 EARNINGS/(LOSS) PER SHARE

### Basic and diluted

	Year ended 31 December	
	2022	2021
Profit/(loss) attributable to equity holders of the Company (RMB\$'000)	<u>96,604</u>	<u>(939)</u>
Weighted average number of ordinary shares in issue (thousand)	990,512	990,459
Less: weighted average of shares held under share award scheme (thousand)	<u>(2,216)</u>	<u>(2,216)</u>
	<u>988,296</u>	<u>988,243</u>
Basic and diluted earnings/(loss) per share (RMB dollar)	<u>0.098</u>	<u>(0.001)</u>

The calculation of basic and diluted earnings/(loss) per share is based on the profit/(loss) attributable to equity holders of the Company and the weighted average number of ordinary shares after adjusting for weighted average shares held under the share award scheme.

There is no potential dilutive share issued during both periods.

## 8 DIVIDENDS

On 24 March 2023, the board of directors proposed a final dividend of in respect of the year ended 31 December 2022 of approximately RMB43.4 million (2021: RMB nil), representing HK\$0.05 per ordinary share (2021: HK\$nil 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 2022, but will be recorded as a distribution of reserves for the year ended 31 December 2022.

## 9 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	<b>118,662</b>	128,909
Less: loss allowance of trade receivables	<b>(2,655)</b>	(1,668)
Trade receivables, net	<b>116,007</b>	127,241
Prepayments and deposit	<b>100,961</b>	132,340
Other receivables	<b>2,224</b>	4,278
	<b>219,192</b>	263,859
Less: non-current portion:		
Prepayment for property, plant and equipment	<b>(75)</b>	(3,358)
Deposit for land use right	<b>(96,000)</b>	(96,000)
Current portion	<b>123,117</b>	164,501



## 9 TRADE AND OTHER RECEIVABLES (CONTINUED)

### (a) Trade receivables

The Group's credit terms granted to wholesale customers generally ranged from 30 to 60 days (2021: 30 to 60 days).

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 30 days	<b>39,736</b>	51,259
31 to 60 days	<b>76,271</b>	74,394
61 to 90 days	–	815
91 to 180 days	–	773
	<b>116,007</b>	<b>127,241</b>

As at 31 December 2022, no trade receivables were past due but not yet impaired (2021: RMB1,588,000). 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Overdue		
Less than 30 days	–	815
More than 30 days	–	773
	–	<b>1,588</b>

## 10 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

	<b>Number of ordinary shares</b>	<b>Share capital HK\$'000</b>	<b>Equivalent share capital RMB'000</b>
<b>As at 1 January 2021</b>	977,462,000	189,682	141,685
Issuance of ordinary shares ( <i>Note a</i> )	<u>13,050,000</u>	<u>19,967</u>	<u>17,244</u>
<b>As at 31 December 2021, 1 January 2022 and 31 December 2022</b>	<u>990,512,000</u>	<u>209,649</u>	<u>158,929</u>

*Note:*

(a) Issuance of shares

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

## 11 TRADE PAYABLES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<u>10,616</u>	<u>17,641</u>

The Group's credit terms granted to trade payables generally ranged from 0 to 60 days (2021: 0 to 60 days)

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 30 days	4,266	13,663
31 to 90 days	1,723	1,718
91 to 180 days	1,993	1,902
181 to 365 days	<u>2,634</u>	<u>358</u>
	<u>10,616</u>	<u>17,641</u>

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

## 12 SUBSEQUENT EVENT

### Voluntary Winding Up of a Subsidiary

Following the Deconsolidation, on 10 August 2022, Strong Won Investment Limited (“**Strong Won BVI**”), the sole shareholder of Strong Won Investment Hong Kong Limited (“**Strong Won HK**”) resolved to wind up Strong Won HK by way of member’s voluntary winding-up under the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong). Strong Won BVI and Strong Won HK are indirect wholly-owned subsidiaries of the Company. Apart from holding 100% equity interest in Tiantong Yichang (one of the Subsidiaries which in turn holds 100% equity interest in Tiantong Yuanan), Strong Won HK has no other major assets or operation.

Strong Won HK and Shandong Jinshuntai Agricultural Technology Company Limited\* (山東金順泰農業科技有限公司) (“**Shandong Jinshuntai**”) entered into a sale and purchase agreement on 20 February 2023 in relation to the entire issued share capital in Tiantong Yichang at a cash consideration of RMB90,000,000. Completion took place on the same day upon signing of the sale and purchase agreement. Upon completion, Strong Won HK ceases to have any interest in Tiantong Yichang. For details, please refer to the announcement of the Company dated 21 February 2023.

\* *The English translation of the Chinese name of the relevant company included in this announcement is for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.*

## **INDEPENDENT AUDITOR’S OPINION**

The auditor will issue a qualified report in the independent auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2022. The details of which are extracted as follows:

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Basis of Qualified Opinion**

#### *Opening balances and corresponding figures*

As disclosed in note 29 to the consolidated financial statements, the Group had deconsolidated the financial information of Tiantong Food (Yichang) Limited (“**Tiantong Yichang**”) and its subsidiary, Tiantong Food and Beverages (Yuanan) Limited (together as “**Yichang Tiantong Group**”) during the year ended 31 December 2021.

The management of the Group and the Group’s legal representative were denied access to the premises of Yichang Tiantong Group and failed to obtain necessary books and records of Yichang Tiantong Group despite repeated demands and requests from the Group.

As described in note 2.2, for the purpose of more fairly presenting the performance and financial position of the Group, in preparing the 2021 Group’s consolidated financial statements (“**2021 Financial Statements**”), the board of directors deconsolidated the financial information of Yichang Tiantong Group from 2021 Financial Statements on 1 January 2021 under the circumstances that the Group was unable to assess and obtain the completed sets of accounting records of Yichang Tiantong Group, and there was no necessary assistance from the management of Yichang Tiantong Group in relation to the audit of the 2021 Financial Statements.

As a result, the directors were of the opinion that the Group was unable to direct the relevant activities of Yichang Tiantong Group, and that the control over Yichang Tiantong Group was lost, since 1 January 2021. Hence the Group had deconsolidated the financial results, cash flows, assets and liabilities of the Yichang Tiantong Group from the consolidated financial statements of the Group since 1 January 2021. Detail of which had been set out in the auditor report for 2021 Financial Statements dated on 24 October 2022.

Consequently, the 2021 Financial Statements formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the Qualifications would have an effect on (i) the opening balances on the consolidated financial position of the Group as at 31 December 2022; (ii) corresponding figures in the consolidated financial statements for the year ended 31 December 2022; and (iii) the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2022.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In 2022, facing the momentous changes and the COVID-19 pandemic unseen in a century, amid the turbulent geopolitical situation, there was an increase in downside risk to the world economy. Despite the fact that China's economy was shocked by multiple unexpected factors such as the spread of the COVID-19 pandemic and the extreme weather conditions, with the timely introduction of a basket of economic stabilisation policies by the central government, China has successfully maintained the stability of its overall economic and social situation, and continued to achieve high-quality development.

For the year ended 31 December 2022 (the “**Year Under Review**”), the Group focused on creating value, improving risk management capabilities and enhancing operational efficiency. Facing the gradual opening-up in the post-COVID-19 era, the Group has strived to seize the opportunities brought by the gradual restoration of living order, and has been committed to investing in R&D, adding new product categories, improving and upgrading product packaging and design, and continuously optimising and expanding its distributor network, so as to further boost the Group's revenue and profitability, and offer customers and consumers with more varieties of fruit products and specialty beverages. During the Year Under Review, the Group's revenue, gross profit and net profit amounted to RMB680.7 million, RMB189.8 million and RMB96.6 million, respectively. The overall financial condition maintained solid, and its core competitiveness was further consolidated.

#### **Own Brands and OEM Business**

The Group has a series of own brands, including “**繽果時代 (Bingo Times)**”, “**果小懶 (fruit zz)**”, “**天同時代 (Tiantong Times)**”, “**享派 (Shiok Party)**” and “**妖果季 (Demon Fruit Season)**”, enabling it to enhance its brand image in an all-round manner. Progress has been made in various aspects such as product diversification, packaging diversification and production deseasonalisation. Meanwhile, the Group has actively responded to the ever-changing consumer market, continuously improved product quality, upgraded product packaging, and incorporated more fashion and leisure elements, in order to actively enrich its product series. Moreover, the Group has also extended the product line of specialty beverages, and rolled out a variety of new products to reinforce its brand position and strengthen its competitiveness in functional beverages.

During the Year Under Review, the Group seized the opportunity to intensively optimise its marketing planning, and strengthened interaction with consumers through various forms of promotional activities, so as to enhance the image of its own brands and promote product sales. The Group's own brand products are sold in 27 provinces, municipalities and autonomous regions across China, and the Group has continued to adopt the parallel "online + offline" sales model. The Group has taken popular online shopping platforms as its main online sales channel, and cooperated with online live-streaming entertainment platforms, in order to boost its visibility and brand promotion, and implement wide-reaching marketing activities. In the future, the Group will continue to fully deploy and utilise a series of advantages brought by digital technology to further facilitate the online sales of the Group's own brand series.

The Group's OEM business has been developing steadily, and the Group has worked closely with internationally renowned food brands and traders for many years. As the demand for "Made in China" processed fruit products in foreign markets has remained strong, the Group will continue to identify more high-quality customers in developed countries and regions, such as Europe, Australia, New Zealand, Japan, the United Kingdom, the United States and Canada, so as to increase its market share in the international market.

### **Sales of Fresh Fruits**

The sales of Chinese fresh fruits always have advantages both locally and overseas, and the Group has accumulated many years of experiences in this regard. The Group has the intention to increase the varieties of fresh fruit products for trading, and is also planning to expand the sales networks of fresh fruits to more different regions. Moreover, the Group's Yunnan production base is surrounded by abundant fruit resources, which can help the Group to introduce more exotic fruits and vegetables from tropical regions for processing and sales, and offer consumers with more abundant and diversified high-quality fruit and vegetable products.

### **R&D and Innovation**

In order to achieve healthy and long-term development, the Group has always been actively investing in the R&D of new products with independent core technologies, and has been constantly improving product production techniques. During the Year Under Review, as a leading high-tech enterprise in the industry, the Group was once again awarded the "High-tech Enterprise Certificate", demonstrating that the Group has been highly recognised and supported at the national level in terms of technological strength and innovation capability. The Group has been committed to developing and innovating high-quality products to satisfy consumers' willingness to try new products and meet their demand for diversified fruit products, and realise enterprise upgrade and transformation.



In recent years, the size of China's functional beverage market has continued to expand. According to Frost & Sullivan, the size of such market will grow at a CAGR of 8.0% from RMB123.8 billion in 2021 to RMB182.0 billion in 2026, showing substantial growth potentials. In view of this, during the Year Under Review, the Group successfully developed the new vitamin sports drinks with fruit pieces and the new fruit enzyme sports drinks. Among which, the vitamin sports drinks with fruit pieces series is a kind of beverage added with fruit pieces processed from fruits. This product can not only improve the energy metabolism of the human body, but also help to fight against fatigue and relieve weariness. The newly developed fruit enzyme sports drinks series uses peaches, apples, etc. as raw materials and focuses on providing enzymes that meet the daily needs of the public. This product offers a variety of health benefits, and is a functional beverage rolled out in response to the increasing health awareness of the public. The Group has completed the R&D of these two new specialty beverages and is entering the preparatory stage of production and sales. The products are expected to be offered to the market in the near future, bringing more diversified choices to the market and consumers.

### **Expansion of Production Capacity**

For expansion of production capacity, the Group's Shandong production base has continuously improved its production facilities and enhanced automation to increase output and production efficiency. The equipment installation of the new No. 5 and No. 6 production workshops has entered into the final stage, which will effectively expand the production capacity for the Group's new products and existing processed fruit products. Meanwhile, the Yunnan production base has commenced construction in 2022 and will be gradually put into use in 2023. As a key measure for the Group's development in China's tropical climate region, the Yunnan production base can comprehensively expand the Group's total production capacity, thereby facilitating convenience for warehousing and logistics arrangements across China, and offering customers and the market with more diversified and richer processed fruit products and specialty beverages. At the same time, it can achieve synergies with the Group's Shandong production base to foster the production and sales of tropical, subtropical and temperate processed fruit products and beverages.

## **M&A and Strategic Partnership**

The Group has been actively seeking opportunities for mergers and acquisitions and strategic partnership, with the expectation to enrich its existing business, expand its business network, and explore more new technologies, new product inventions and new market opportunities, so as to maintain its market edges and achieve joint expansion and business development. The Group will continue to pursue more development opportunities in China and around the world to further broaden its business territory.

## **Outlook**

Along with the re-opening of the global and Chinese markets and the resumption of tourism and social activities, the retail and consumer markets are expected to fully recover. As the general public has higher concerns and demand for a healthy life and a balanced diet, the Group strives to seize the development opportunities of economic recovery in the “post-COVID-19 era” by making steady progress in various aspects such as R&D of innovative products, promotion of existing products, expansion of production capacity and pursuit of new market opportunities.

Looking forward, the Group will take diversified product categories and brand portfolio as the core of its business strategy, and will further strengthen its “cross-sector” strategic development. Meanwhile, the Group will continue to seek opportunities for domestic and foreign M&A and strategic partnership, broaden its sources of income and foster a diversified development model, and enhance its brand effect and international reputation, so as to facilitate the Group’s endogenous growth and achieve more sustainable development, thereby significantly boosting the overall competitiveness of the Group.

## **FINANCIAL REVIEW**

### **Revenue**

During the Year Under Review, our revenue decreased to approximately RMB680.7 million from approximately RMB871.6 million for the year ended 31 December 2021, representing a decrease of approximately RMB190.9 million or 21.9%. The Group continued to sell its processed fruit and beverage products under its own brand and on an OEM basis, and engaged in trading of fresh fruits. The decrease in revenue during the Year Under Review was mainly attributable to the decrease in the sales of our own brand and OEM products.

Breakdown of revenue by business segments for the year ended 31 December 2022 and the comparative figures in 2021 is set out as follows:

	<b>For the year ended</b>			
	<b>31 December</b>			
	<b>2022</b>	2021	Changes	
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	%
<b>Revenue</b>				
Own Brand Sales	<b>390.5</b>	500.7	(110.2)	(22.0)
OEM Sales	<b>248.5</b>	316.7	(68.2)	(21.5)
Fresh Fruits Sales and others	<b>41.7</b>	54.2	(12.5)	(23.1)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>680.7</b>	871.6	(190.9)	(21.9)
	<hr/>	<hr/>	<hr/>	<hr/>

During the Year Under Review, revenue from our sales of processed fruits and beverage products under our own brand accounted for 57.4% (2021: 57.4%) of the total revenue and represented the largest business segment of the Group. Own brand sales decreased from approximately RMB500.7 million for the year ended 31 December 2021 to approximately RMB390.5 million for the year ended 31 December 2022, representing a decrease of approximately RMB110.2 million or 22.0%. The decrease was mainly contributed by the decrease in sales from processed fruit and beverage products.

Revenue from sales of processed fruit products on an OEM basis continued to contribute a significant portion of the total revenue of the Group and represented 36.5% (2021: 36.3%) of the total revenue during the Year Under Review. Our processed fruit products on an OEM basis 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 decreased by RMB68.2 million or 21.5% from approximately RMB316.7 million for the year ended 31 December 2021 to approximately RMB248.5 million for the year ended 31 December 2022. Although the COVID-19 continued to affect the consumption, commercial and tourism activities around the world during the Year Under Review, our processed fruit products continued to receive orders from the existing customers and brand owners around the world.

We continued to trade a small portion of our fresh fruits to fresh fruits wholesalers during the Year Under Review. Revenue contributed by fresh fruit sales and others represented 6.1% of the total revenue for the year ended 31 December 2022 (2021: 6.2%). Revenue from fresh fruit sales and others during the Year Under Review decreased by RMB12.5 million or 23.1% to approximately RMB41.7 million.

### Gross profit and gross profit margin

	For the year ended			
	31 December			
	2022	2021	Changes	
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>%</i>
<b>Gross profit</b>				
Own Brand Sales	113.4	138.7	(25.3)	(18.2)
OEM Sales	71.0	86.9	(15.9)	(18.3)
Fresh Fruits Sales and others	5.4	9.5	(4.1)	(43.2)
<b>Total gross profit</b>	<b>189.8</b>	<b>235.1</b>	<b>(45.3)</b>	<b>(19.3)</b>

Gross profit for the year ended 31 December 2022 decreased to approximately RMB189.8 million from approximately RMB235.1 million for the year ended 31 December 2021, representing a year-on-year decrease of RMB45.3 million, or 19.3%. The decrease was mainly due to decrease in revenue from own brand sales and OEM sales.

	For the year ended	
	31 December	
	2022	2021
<b>Gross profit margin</b>		
Own Brand Sales	29.0%	27.7%
OEM Sales	28.6%	27.4%
Fresh Fruits Sales and others	12.9%	17.5%
<b>Overall gross profit margin</b>	<b>27.9%</b>	<b>27.0%</b>

During the Year Under Review, the overall gross profit margin increased from 27.0% to 27.9%. The increase in overall gross margin was mainly caused by the increase in gross profit margin on our brand and OEM products due to the decrease in average costs on the processed fruit products. With regard to gross profit margin of fresh fruits sales and others, if certain other and miscellaneous adjustments are excluded, the gross profit margin would decrease slightly to 22.8% for the year ended 31 December 2022 (2021: 23.2%).

### **Selling and distribution expenses**

Selling and distribution expenses mainly include the transportation and delivery costs, promotion and advertising expenses, and staff costs from sales and marketing department. For the year ended 31 December 2022, the selling and distribution expenses decreased from approximately RMB22.1 million for the year ended 31 December 2021 to approximately RMB9.3 million, representing a year-on-year decrease of approximately RMB12.8 million, or 57.9%. The decrease was mainly attributable to the decrease in promotion and advertising expenses, and transportation and delivery costs during the Year Under Review.

### **Research and development expenses**

Research and development expenses mainly include raw materials, staff costs and overhead expenses related to the R&D functions. The amount of research and development expenses decreased from RMB27.6 million for the year ended 31 December 2021 to RMB22.9 million for the year ended 31 December 2022, representing a year-on-year decrease of approximately RMB4.7 million, or 17.0%. During the Year under Review, the number of R&D projects for new product development and existing product improvement increased but the average spending on each project decreased.

### **General and administrative expenses**

General and administrative expenses mainly include staff costs for management and administrative departments, professional fees, depreciation and amortisation, foreign exchange differences, donations and various taxes with regard to the use of land and buildings. The amount of expenses increased from RMB30.9 million for the year ended 31 December 2021 to RMB40.3 million for the year ended 31 December 2022, representing a year-on-year increase of approximately RMB9.4 million, or 30.4%. The increase was mainly attributable to the increase in donation and legal and professional fees which was partially offset by the decrease in exchange gain, auditors remuneration, staff costs, and land taxes, surcharge and other taxes.

## Income tax expenses

Income tax expenses represent mainly the PRC enterprise income tax payable by our PRC subsidiaries. For the year ended 31 December 2022, our income tax expenses decreased by RMB8.7 million, or approximately 29.7%, to RMB20.6 million from RMB29.3 million for the year ended 31 December 2021. The overall decrease in the income tax expenses was primarily due to the decrease in our assessable income in the PRC during the Year Under Review.

## Net profit/(loss)

For the year ended 31 December 2022, net profit increased by approximately RMB97.5 million from a net loss of approximately RMB0.9 million for the year ended 31 December 2021 to a net profit of RMB96.6 million for the year ended 31 December 2022.

## Liquidity, financial resources and capital resources

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

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

	As at 31 December 2022	As at 31 December 2021
Gearing ratio (%)	6.64%	8.93%
Current ratio	3.49	2.85
Cash and cash equivalent ( <i>RMB million</i> )	659.6	490.1
Net current assets ( <i>RMB million</i> )	586.5	473.5
Quick ratio	<u>3.33</u>	<u>2.56</u>

The gearing ratio of the Group as at 31 December 2022 was 6.64% (31 December 2021: 8.93%). 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 2022 was 3.49 (31 December 2021: 2.85).

As at 31 December 2022, our cash and cash equivalents amounted to approximately RMB659.6 million (31 December 2021: RMB490.1 million). Our net current assets was approximately RMB586.5 million as at 31 December 2022, as compared to approximately RMB473.5 million as at 31 December 2021.

The quick ratio (calculated based on total current assets (excluding inventory) divided by total current liabilities) of the Group as at 31 December 2022 was 3.33 (31 December 2021: 2.56). 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 RMB1,129.5 million and RMB243.0 million, respectively as at 31 December 2022 (31 December 2021: RMB1,032.9 million and RMB262.3 million).

### **Bank borrowings, and net finance income**

As at 31 December 2022, the total amount of interest-bearing bank borrowings was approximately RMB75.0 million (31 December 2021: RMB92.3 million).

Net finance income of the Group represents finance income less finance costs. Net finance income decreased from approximately RMB14.8 million for the year ended 31 December 2021 to approximately RMB11.1 million for the year ended 31 December 2022, representing a decrease of approximately RMB3.7 million or approximately 25.0%.

During the Year Under Review, the finance income increased by approximately RMB1.7 million or 10.9%. Finance costs increased by approximately RMB5.5 million or 785.7%. The overall increase in net finance income was mainly attributable to the increase in average interest rate on bank and other borrowings.

## **Pledged assets**

The Group pledged its right-of-use assets and buildings as collaterals for the bank borrowings. As at 31 December 2022, the net book value of pledged right-of-use assets and buildings amounted to approximately RMB78.3 million (2021: RMB89.6 million).

## **Capital expenditure**

During the Year Under Review, we carried out several improvement works on production facilities and addition of machineries for the sustainable development of our business and a total amount of approximately RMB6.4 million (2021: RMB10.9 million) was expended. The non-current portion of the prepayment mainly comprises a refundable deposit of RMB96.0 million at the PRC Government in preparation for the application for and participating in the land auction.

## **Interest rate risk**

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

## **Foreign currency exposure**

The Group mainly operates in the PRC and most of the transactions are conducted in Renminbi. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to bank deposits, bank and other loans and trade receivables denominated in the United States dollars or HKD. Foreign exchange risk also arises from sales transactions in foreign currencies with overseas customers which were mostly 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 2022, the number of employees of the Group was 494. The total staff costs, including Directors' emoluments, amounted to approximately RMB32.7 million for the Year Under Review (31 December 2021: approximately RMB46.9 million). The emoluments payable to the Directors are subject to their respective terms of engagement approved by the Remuneration Committee of the Company having regard to the operating results of the Group, the performance of individual Directors and comparable market statistics. The Group implements a remuneration policy which offers or has in place bonus, a share option scheme and a share award scheme with reference to the performance of the Group and individual employees. The Group also provides insurances, medical benefits and contribute to retirement funds for employees so as to sustain the competitiveness of the Group.

For the years ended 31 December 2022 and 2021, there were no forfeited contributions which were available to reduce the Group's existing level of contributions to the state-managed retirement benefits schemes operated by the local PRC governments nor Mandatory Provident Fund Scheme for all employees in Hong Kong.

## **Commitments and contingent liabilities**

As at 31 December 2022, the capital commitments contracted for but not yet incurred and provided for amounted to approximately RMB4.6 million (31 December 2021: RMB4.4 million). In addition, the Group did not have any material outstanding contingent liabilities.

## **Material acquisitions and disposals**

*Disposal of Tiantong Food (Yichang) Limited (天同食品(宜昌)有限公司) (“**Tiantong Yichang**”)*

On 10 August 2022, the Group decided to wind up its indirect wholly-owned subsidiary, Strong Won Investment Hong Kong Limited (“**Strong Won HK**”), which in turn is the immediate holding company of Tiantong Yichang by way of member's voluntary winding up. On 20 February 2023, the joint liquidators of Strong Won HK (as agent of Strong Won HK) and Shandong Jinshuntai Agricultural Technology Company Limited (山東金順泰農業科技有限公司) (“**Shandong Jinshuntai**”) entered into a sale and purchase agreement in relation to the entire issued share capital in Tiantong Yichang for a cash consideration of RMB90 million. Completion took place on the same day. For more details, please refer to the announcement of the Company dated 21 February 2023. Upon completion, Strong Won HK ceased to have any interest in Tiantong Yichang. For details please refer to the announcement of the Company dated 21 February 2023.

Save as disclosed above, during the year ended 31 December 2022 and up to the date of this announcement, the Group did not have any other material acquisitions or disposals of subsidiaries or associated companies.

## **SUBSEQUENT EVENTS**

The Group has a number of subsequent events, details of which are set out in note 12 to the consolidated financial statements.

## **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 2022.

## **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 2022.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Group's auditor, Elite Partner CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Elite Partner CPA Limited 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 Elite Partner CPA Limited on the preliminary announcement. The Audit Committee has reviewed the annual results for the year ended 31 December 2022.

## **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 C.2.1 of the CG Code.

Under code provision C.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 Ziyuan 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 proposed a final dividend of HK\$0.05 per share for the year ended 31 December 2022, to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 14 July 2023 (the record date). Subject to the approval of the Company's shareholders at the 2023 AGM, the final dividend will be paid on or about 4 August 2023.

## **ANNUAL GENERAL MEETING**

The 2023 AGM will be held on Thursday, 29 June 2023, while the notice and circular convening the 2023 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 vote at the 2023 AGM, the register of members of the Company will be closed from Monday, 26 June 2023 to Thursday, 29 June 2023 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to be eligible to vote at the 2023 AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 June 2023.

For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from Tuesday, 11 July 2023 to Friday, 14 July 2023 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong not later than 4:30 p.m. on Monday, 10 July 2023.

## **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 2022 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, 24 March 2023

*As at the date of this announcement, the Board comprises (i) Mr. Yang Ziyuan (Chairman), Mr. Yeung Wan Yiu (Vice Chairman), Mr. Sun Xingyu and Ms. Lv Chunxia as executive Directors; (ii) Ms. Chu Yinghong and Mr. Wong Yim Pan as non-executive Directors; and (iii) Mr. Liang Zhongkang, Mr. Shiu Shu Ming and Prof. Ye Xingqian as independent non-executive Directors.*