天源集團控股有限公司
TIAN YUAN GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6119

Annual Report
2018

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yang Jinming *(Chairman and Chief Executive Officer)*
Ms. Tong Wai Man
Mr. Su Baihan

Non-Executive Director

Mr. Yang Fan

Independent Non-Executive Directors

Mr. Pang Hon Chung
Professor Wu Jinwen
Mr. Huang Yaohui

REGISTERED OFFICE

P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

168 Renmin South Road
Maoming, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room C, 29/F.,
Tower B, Billion Centre
1 Wang Kwong Road
Kowloon Bay
Hong Kong

COMPANY'S WEBSITE

www.tianyuangroupholdings.com
(*Note: the information contained in this website does not form part of this Annual Report)*

COMPANY SECRETARY

Mr. Hung Chung Wah *(CPA, FCCA, FRM)*

AUTHORIZED REPRESENTATIVES

Mr. Yang Jinming
Mr. Hung Chung Wah

AUDIT COMMITTEE

Mr. Pang Hon Chung *(Chairman)*
Professor Wu Jinwen
Mr. Huang Yaohui

REMUNERATION COMMITTEE

Professor Wu Jinwen *(Chairman)*
Mr. Huang Yaohui
Ms. Tong Wai Man

NOMINATION COMMITTEE

Mr. Yang Jinming *(Chairman)*
Professor Wu Jinwen
Mr. Pang Hon Chung

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR

Estera Trust (Cayman) Limited
P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
(Maoming Mao Gang Branch)
China Guangfa Bank Co., Ltd.

COMPLIANCE ADVISER

RaffAello Capital Limited
Unit 1701, 17/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Sheung Wan, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Loong & Yeung Solicitors
Room 1603, 16/F., China Building
29 Queen's Road Central
Central, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

STOCK CODE

6119

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Tian Yuan Group Holdings Limited (the "Company", together with its subsidiaries as the "Group"), I am pleased to present the first annual report of the Group since its listing (the "Listing") on the Main Board of The Hong Kong Stock Exchange (the "Stock Exchange") on 1 June 2018.

Successful Listing of the ordinary shares of the Company on the Stock Exchange was an important milestone for the Group. 150,000,000 shares were issued under the share offer, raising net proceeds (after deducting underwriting fees and commissions and related expenses) of approximately HK$49.9 million (equivalent to approximately RMB40.7 million). The additional capital raised coupled with a broader shareholders base as a result of the Listing will allow us to expand our businesses and provide us with a strong base for our future development.

The Group is a well-known terminal operator in the Port of Maoming in Guangdong Province of the People's Republic of China. The Group primarily engages in the bulk cargo uploading and unloading services as well as related ancillary value-added services including storage services and leasing of shovel trucks. For the year ended 31 December 2018, despite throughput of the Group decreased, the Group recorded a stable revenue of approximately RMB82.4 million, representing an increase of approximately 1.0% compared to that for the year ended 31 December 2017.

Profit attributable to owners of the Company for the year ended 31 December 2018 was approximately RMB5.8 million compared to approximately RMB19.2 million for the year ended 31 December 2017. The decrease was mainly attributable to an increase in certain costs and expenses, including an increase in the non-recurring listing expenses of approximately RMB5.6 million.

The construction of new phase of Zhengyuan Terminal has been completed in the first quarter of 2019 and it is expected to be a major driving force for the potential growth in the Group's cargo throughput in the future.

During the year, the Board had resolved to use the surplus funds of the Group for wealth management and domestic/international trade operations within the controllable range while ensuring the sufficient funds for terminal construction. The new businesses are expected to widen the revenue streams of the Group.

Finally, I would like to express sincere gratitude to our Shareholders, customers and business partners for their continuous support, and to our management and employees for their contributions, commitment and dedication. We will continue to strive for maximising the Shareholders' return and the long-term sustainable development of the Group.

Yang Jinming
Chairman and Chief Executive Officer

Hong Kong, 23 March 2019

BUSINESS REVIEW

The Group operates two terminals, namely, Tianyuan Terminal and Zhengyuan Terminal, which are open to the public and focus on bulk cargo. Both terminals are situated in the Shuidong port area of the Port of Maoming.

Our principal services include:

(i) Bulk cargo uploading and unloading services. Our terminals are relatively adaptive and able to handle a variety of non-containerised cargo. For the year ended 31 December 2018 (the "Reporting Year"), we mainly handled bulk cargo such as coal, quartz sand, oil products, grains, asphalt and kaolinite as well as a small portion of break bulk cargo and neo-bulk cargo; and

(ii) Related ancillary value-added port services, which mainly include storage services at our oil tanks and grain barns as well as lease of our shovel trucks.

During the year ended 31 December 2018, the Group achieved a total cargo throughput of approximately 3,941 thousand tonnes, representing a decrease of approximately 450 thousand tonnes or approximately 10.2% from approximately 4,391 thousand tonnes for the year ended 31 December 2017. The decrease of the throughput was mainly due to the construction of the new phase of Zhengyuan Terminal, which occupied part of working areas of Zhengyuan Terminal. The decrease was also partially due to a decrease in throughput of quartz sand, which was temporarily affected by local policies on mineral resources integration.

With the unit selling price of cargo handling fees for oil products and asphalt increased, higher average selling price of the cargo handling fees of the Group was recorded for the year ended 31 December 2018 compared to that for the year ended 31 December 2017.

During the Reporting Year, the Group has continued to strengthen the relationship with its existing key customers and further widen its customers base by increasing over 70 new customers.

As at 31 December 2018, the construction of the new phase of Zhengyuan Terminal was still in progress and expected to be completed in the first quarter of 2019. Up to the date of this Annual Report, the construction has been completed and a testing and trial run period of about six months has commenced in March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the revenue was approximately RMB82.4 million, representing an increase of approximately 1.0% compared to approximately RMB81.6 million for the year ended 31 December 2017. The increase in revenue was primarily attributable to an increase in revenue from rental income.

	Year ended 31 December			
	2018	2017	**Changes**	
	RMB'000	RMB'000	RMB'000	%
Revenue from uploading and unloading services	**77,058**	77,886	(828)	(1.1%)
Rental income	**5,335**	3,713	1,622	43.7%
Total	**82,393**	81,599	794	1.0%

For the year ended 31 December 2018, our revenue from uploading and unloading services decreased by approximately 1.1% compared to that for the year ended 31 December 2017 to approximately RMB77.1 million. The decrease in the revenue from uploading and unloading services was mainly attributable to a decrease in revenue generated from handling quartz sand, coal and kaolinite, which was partially offset by an increase in the revenue generated from handling asphalt and oil products.

For the year ended 31 December 2018, our rental income increased by approximately 43.7% compared to that for the year ended 31 December 2017 to approximately RMB5.3 million. The increase in the rental income was primarily due to an increase in the unit price for our storage facilities which we implemented in the second half of 2017.

Cost of sales

Our cost of sales increased by approximately 11.7% from approximately RMB30.7 million for the year ended 31 December 2017 to approximately RMB34.3 million for the year ended 31 December 2018. This was primarily driven by (i) an increase in employee benefit expenses mainly due to an increase in number of employees and salaries and bonuses; and (ii) an increase in depreciation of property, plant and equipment.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately 5.5% from approximately RMB50.9 million for the year ended 31 December 2017 to approximately RMB48.1 million for the year ended 31 December 2018.

The decrease in gross profit was mainly attributable to (i) a decrease in revenue from uploading and unloading services and (ii) an increase in our cost of sales primarily resulted from higher employee benefit expenses and increase in depreciation of property, plant and equipment as mentioned above. These factors led to our gross profit margin decreasing from approximately 62.4% for the year ended 31 December 2017 to approximately 58.4% for the year ended 31 December 2018.

Other Income and Other Gains — Net

For the years ended 31 December 2018 and 2017, the Group's other income mainly consists of income from the provision of guarantee and pledging of assets as collaterals for certain banking facilities of Maoming Tianyuan Trade Development Limited ("Maoming Tianyuan"), a company established in the People's Republic of China ("China" or the "PRC") and controlled by our Controlling Shareholder. For the years ended 31 December 2018 and 2017, we recorded an aggregate guarantee fee of approximately RMB699,000 and RMB4.0 million, respectively, for our provision of security for banking facilities of Maoming Tianyuan. This was calculated with reference to a guarantee fee determined on a daily basis based on the aggregated banking facilities of Maoming Tianyuan that were pledged or guaranteed by the Group plus the equivalent daily interest rate for a three-month time deposit offered by the Industrial and Commercial Bank of China. The guarantee and pledges provided by the Group for the banking facilities granted to Maoming Tianyuan has been released before the publication of the prospectus of the Company dated 18 May 2018 (the "Prospectus").

For the year ended 31 December 2018, other gains — net of approximately RMB1.3 million (for the year ended 31 December 2017: approximately RMB71,000) consisted mainly of net foreign exchange gain and gains on disposals of property, plant and equipment.

Finance Income

For the year ended 31 December 2018, the Group's finance income consists of bank interest income of approximately RMB631,000 (for the year ended 31 December 2017: Nil).

Selling and Administrative Expenses

Selling and administrative expenses increased from approximately RMB16.3 million for the year ended 31 December 2017 to approximately RMB27.5 million for the year ended 31 December 2018, mainly attributable to an increase of approximately RMB5.6 million in listing expenses charged to administrative expenses in the Reporting Year compared to that for the year ended 31 December 2017. The increase in administrative expenses was also partially due to (i) an increase in employee benefits expenses resulted mainly from an increase in number of employees and salaries and bonuses as well as an increase in Directors' remuneration; (ii) an increase in auditors' remuneration and (iii) professional service fees incurred after the Listing of shares of the Company on the Main Board of the Stock Exchange on 1 June 2018 (the "Listing Date").

Income Tax Expense

The Group's income tax expense decreased by approximately 14.7% from approximately RMB12.4 million for the year ended 31 December 2017 to approximately RMB10.5 million for the year ended 31 December 2018. The decrease was primarily attributable to a decrease in the Group's profit before income tax for the year ended 31 December 2018 compared to that for the year ended 31 December 2017.

Profit Attributable to Owners of the Company

For the year ended 31 December 2018, the Group's profit attributable to owners of the Company was approximately RMB5.8 million (for the year ended 31 December 2017: approximately RMB19.2 million). If the one-off listing expenses of approximately RMB12.6 million charged to the administrative expenses for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately RMB6.9 million) was excluded, the profit attributable to owners of the Company of approximately RMB18.4 million for the year ended 31 December 2018 would be approximately 29.6% lower than that for the year ended 31 December 2017. The decrease in the Group's profit attributable to owners of the Company was mainly due to (i) a decrease in gross profit resulted from a decrease in revenue from uploading and unloading services and an increase in cost of sales as mentioned above and (ii) an increase in selling and administrative expenses as mentioned above.

Liquidity and Financial Resources

Net Current Assets

The Group recorded net current assets of approximately RMB169.5 million as at 31 December 2018, while the net current assets as at 31 December 2017 was approximately RMB89.7 million.

Borrowings and Gearing Ratio

As at 31 December 2018, the Group did not have any borrowings (as at 31 December 2017: Nil).

Treasury Policy

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the businesses of the Group. Funds were primarily denominated in Renminbi ("RMB") and Hong Kong dollars.

Capital Structure

The capital structure of the Group consists of equity attributable to owners of the Company, which mainly comprises issued share capital, share premium and retained earnings.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group for the year ended 31 December 2018 (for the year ended 31 December 2017: Nil).

Pledge of Assets and Contingent Liabilities

As at 31 December 2018, the Group did not have pledge of assets, corporate guarantee and any significant contingent liabilities (as at 31 December 2017: the Group had pledged certain land use rights, sea area use rights and property, plant and equipment with the aggregate carrying amount of approximately RMB146.5 million as collaterals for certain banking facilities of Maoming Tianyuan granted by PRC banks).

Foreign Exchange Risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Group, and the major receivables and payables were denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, and other payables maintained in Hong Kong dollars.

The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the Reporting Year (during the year ended 31 December 2017: Same).

Human Resources and Remuneration

As at 31 December 2018, the Group employed 222 employees (as at 31 December 2017: 205 employees) with total staff costs of approximately RMB21.4 million incurred for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately RMB16.2 million). The increase of staff costs of the Group was mainly due to an increase in number of employee and salaries and bonuses as well as an increase in the payment of Directors' remuneration for the year ended 31 December 2018 compared to that for the year ended 31 December 2017. The Group's remuneration packages are generally structured with reference to market terms and individual merits.

Use of Net Proceeds from the Listing

The shares of the Company were listed on the Main Board of the Stock Exchange on 1 June 2018 with actual net proceeds from share offer of the Listing of approximately HK$49.9 million (equivalent to approximately RMB40.7 million) (after deducting underwriting fees and commissions and related expenses).

During the Reporting Year, the use of proceeds was in line with that disclosed in the Prospectus. Uses of net proceeds as at 31 December 2018 as follows:

	Planned use of proceeds RMB'000	Approximately percentage of net proceeds %	Actual use of proceeds from the Listing Date to 31 December 2018 RMB'000
The construction of the new phase of Zhengyuan Terminal and the purchase of additional equipment in connection with such expansion	**36,644**	**90%**	**10,885**
Working capital and other general corporate purposes	**4,072**	**10%**	**2,565**
Total	**40,716**	**100%**	**13,450**

Future Plans for Material Investments or Capital Assets

Save for the business plan disclosed in the Prospectus or in this Annual Report, there is no other plan for material investments or capital assets as at 31 December 2018.

Final Dividend

The Board has proposed a final dividend of RMB0.013 per ordinary share for the year ended 31 December 2018, amounted to RMB7.8 million based on 600,000,000 shares in issue as at 31 December 2018.

The proposed final dividend will be paid to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Friday, 31 May 2019 (the "Eligible Shareholders"), if the proposal is approved by the Shareholders at the forthcoming annual general meeting. It is expected that the final dividend will be paid on or about Friday, 14 June 2019.

Dividends payable to Shareholders will be paid in Hong Kong dollars at the average exchange rate as quoted by the People's Bank of China for the five days before 23 March 2019, which is RMB1 to HK$1.17132. Each Eligible Shareholder will receive a dividend of HK$0.01523 per ordinary share.

Annual General Meeting

The annual general meeting (the "AGM") of the Company is scheduled to be held on Thursday, 23 May 2019 (the "2019 AGM"). A notice convening the 2019 AGM will be published on the websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

Closure of Register of Members

In relation to the AGM

For the purpose of determining the list of Shareholders who are entitled to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 20 May 2019 to Thursday, 23 May 2019, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the 2019 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 17 May 2019.

In relation to the Proposed Final Dividend

Subject to approval by the Shareholders in the 2019 AGM, for the purpose of determining the list of Shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 29 May 2019 to Friday, 31 May 2019, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 28 May 2019.

Capital Commitments

As at 31 December 2018, the Group had capital commitments for construction and acquisition of property, plant and equipment amounting to approximately RMB36.0 million (as at 31 December 2017: approximately RMB55.8 million).

OUTLOOK AND PROSPECTS

Looking forward, despite uncertainties, the economy in the PRC is expected to grow steadily, the throughput of the port industry in the PRC is expected to remain growth at slow rate in the near future.

The Group will strive to increase the cargo sources and diversify the cargo varieties, enhance the ancillary valued-added port services and strengthen the relationship with our customers. The Group will continue to improve the operational efficiency of the terminals and take advantage of the synergy effect with the new phase of Zhengyuan Terminal to enhance its competitiveness.

Up to the date of this Annual Report, the construction of the new phase of Zhengyuan Terminal has been completed and a testing and trial run period of about six months has commenced in March 2019. The new phase of Zhengyuan Terminal is expected to be a major driving force for the potential growth in the Group's cargo throughput in the future.

The Group may also explore to diversify its businesses to other areas including trading and storage businesses of oil related goods and products to broaden our revenue streams and improve the return on equity.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YANG Jinming (楊金明) ("Mr. Yang"), aged 45, is the founder of our Group. He was appointed as our Director on 27 July 2015 and was re-designated as our executive Director on 21 September 2015. He is also the chairman of our Board (the "Chairman") and our chief executive officer ("Chief Executive Officer") and the chairman of our nomination committee. He is responsible for the overall management, strategic development and major decision-making of our Group and has been managing our business for more than 12 years. He is also a director of each of the Company's subsidiaries: Mao Long Global Limited (隆茂環球有限公司), Jin Yuan Group Management Limited (金源集團管理有限公司) ("Jin Yuan"), Maoming Jinyuan Company Limited* (茂名金源有限公司) ("Maoming Jinyuan"), Maoming Zhengyuan Trade Development Company Limited* (茂名市正源商貿發展有限公司) ("Zhengyuan") and Maoming Tianyuan Terminal Operation Company Limited (茂名市天源碼頭經營有限公司) ("Tianyuan"). Mr. Yang is also the sole director of Sino Ford Enterprises Limited (漢福企業有限公司), one of our Controlling Shareholders and is wholly-owned by Mr. Yang.

Mr. Yang obtained a business administration profession* (工商管理專業) from Guangdong Institute of Science and Technology (廣東省科技幹部學院) in 1996. He also completed a Maoming Key Enterprises' Chief Executive Upper-level Intensive Course* (茂名市重點企業總裁高級研修班) at Tsinghua University (清華大學).

Ms. TONG Wai Man (董慧敏) ("Ms. Tong"), aged 43, was appointed as our executive Director on 21 September 2015. She is responsible for administrative management of our Group and also serves on our remuneration committee. Ms. Tong is also a director of Jin Yuan.

Prior to joining our Group, Ms. Tong worked as an administrative director of Tian Resource Investment Holding Limited (香港天源投資控股有限公司) from April 2010 to September 2015. From January 2015 to December 2016, Ms. Tong was a member of The Maoming City Committee of the 8th Chinese People's Political Consultative Conference* (中國人民政治協商會議第八屆茂名市委員會).

Ms. Tong obtained a certificate in business administration in August 2012 and a master's degree in business administration in June 2013 from the University of South Australia.

Mr. SU Baihan (蘇柏翰) ("Mr. Su"), aged 38, was appointed as our executive Director on 21 September 2015. He is responsible for overall financial and operation of our Group. Mr. Su is also a director of Maoming Jinyuan.

Prior to joining our Group, Mr. Su worked as a statistician, manager and project manager of the corporate banking department of Maoming branch of China Guangfa Bank Company Limited (廣發銀行股份有限公司茂名分行) from July 2003 to July 2011.

Mr. Su obtained a bachelor's degree in specialised certified public accountants* (註冊會計師專門化) in July 2003 from the School of Accounting of Jiangxi University of Finance and Economics (江西財經大學).

* *for identification propose only*

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. YANG Fan (楊帆), aged 32, was appointed as our non-executive Director on 21 September 2015. He is responsible for overseeing the general corporate, financial and compliance affairs of our Group. Mr. Yang Fan is also the deputy chairman of the board of directors of Maoming Jinyuan. Mr. Yang Fan was the non-executive director of Tourism International Holdings Limited (旅業國際控股有限公司) (formerly known as Jiayao Holdings Limited (嘉耀控股有限公司)), a company listed on the Main Board of the Stock Exchange (stock code: 1626) from 24 March 2014 to 17 March 2017, and was appointed as the non-executive director in the same company again on 18 February 2019. Mr. Yang Fan is also the sole shareholder and sole director of Fugang Holdings Limited (復港控股有限公司), which is interested in 4.5% of the shares in issue of the Company.

Mr. Yang Fan obtained a bachelor of arts degree in June 2012 from the University of Cambridge. He further obtained a master of science degree in financial economics in August 2013 from the University of Oxford.

Save as disclosed above, Mr. Yang Fan has not been a director of any listed companies over the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. PANG Hon Chung (彭漢忠) ("Mr. Pang"), aged 45, was appointed as our independent non-executive Director on 10 May 2018. He is also the chairman of audit committee and a member of nomination committee of the Company.

Mr. Pang has over 16 years of professional accounting experience and considerable experience in special assurance and advisory assignments in relation to corporate restructurings and fund raising exercises. He also has extensive experience in corporate audits and consulting of pre-listing and listed companies, and medium to large private entities. Mr. Pang has been a Certified Public Accountant recognised by the Hong Kong Institute of Certified Public Accountants (formerly known as an Associate of the Hong Kong Society of Accountants) since April 2001. He has also been a member of the Society of Chinese Accountants and Auditors since August 2014. Mr. Pang had worked at Ernst & Young for over eight years. He joined Ernst & Young in March 2000 as a staff accountant and he left the firm as a senior manager in November 2008. Mr. Pang joined ZHONGHUI ANDA CPA Limited (formerly known as ANDA CPA Limited) in March 2010 as a senior manager in the audit department, and he has been a partner of the firm since January 2014.

Mr. Pang obtained a bachelor's degree in accountancy in November 1997 from the City University of Hong Kong.

Professor WU Jinwen (鄔錦雯) ("Professor Wu"), aged 49, was appointed as our independent non-executive Director on 10 May 2018. She is the chairman of remuneration committee and a member each of audit committee and nomination committee of the Company.

Since August 1997, Professor Wu has served in various positions at the South China Normal University (華南師範大學) ("SCNU"). She was tutor, lecturer, assistant professor, in the School of Economics and Management* (經濟管理學院) of SCNU, and was appointed as professor of Department of E-commerce* (電子商務系) in the School of Economics and Management* (經濟管理學院) of SCNU in September 2012. Since December 2013, she was also appointed as the director of the Institute of Population, Resources and Environment* (華南師範大學人口資源環境研究所所長) of SCNU. In addition, Professor Wu has actively participated in public services and taken on a number of posts, including acting as a committee member of the Tenth and Eleventh Guangdong Provincial Committee of the Chinese People's Political Consultative Conference* (第十屆及第十一屆中國人民政治協商會議廣東省委員會委員). She was also a committee member for Guangdong Province in the China National Democratic Construction Association* (中國民主建國會廣東省委員) since June 2017.

* *for identification propose only*

She obtained the doctorate degree in political economics* (政治經濟學博士) from SCNU in December 2008. Professor Wu was awarded the certificate of Guangdong Province professional and technical qualification* (廣東省專業技術資格證) in applied economics by the Guangdong Provincial Department of Human Resources and Social Security* (廣東省人力資源和社會保障廳) in April 2012 and the postdoctoral certificate* (博士後證書) in psychology by the National Postdoctoral Committee* (全國博士後管理委員會) in May 2013.

Mr. HUANG Yaohui (黃耀輝) ("Mr. Huang"), aged 66, was appointed as our independent non-executive Director on 10 May 2018 and a member each of audit committee and remuneration committee of the Company.

Mr. Huang has extensive experience in the banking industry. He was appointed as the general manager in September 1995 and further promoted as the head of Maoming branch of China Guangfa Bank Company Limited* (廣東發展銀行股份有限公司茂名分行), where he retired from the post in September 2012.

Mr. Huang obtained a bachelor's degree in economic administration* (經濟管理) in July 1995 from SCNU.

SENIOR MANAGEMENT

Mr. DING Fuxing (丁富興) ("Mr. Ding"), aged 57, is our general manager and is responsible for the operation and the management of our Group. He joined our Group in November 2009 and has over 24 years of experience in corporate management. He held various positions in our Group over the years, including the deputy general manager of Zhengyuan from March 2014 to October 2014 and the director and general manager of Tianyuan since November 2014.

Prior to joining our Group, Mr. Ding held various position in Guangdong Maoming Bureau of Mines Gu Zhan Ling Coal Mine* (廣東省茂名礦務局姑占嶺煤礦) from June 1989 to July 2001, including technology officer from June 1989 to March 1993, deputy manager of coal mine from April 1993 to June 1994, the manager of coal mine from July 1994 to November 1997 and the party committee secretary as well as the manager of coal mine of from December 1997 to July 2001.

Mr. Ding obtained an economic administration profession* (經濟管理專業) in 1997 from Guangdong Open University (廣東開放大學) (formerly known as Guangdong Radio & TV University* (廣東廣播電視大學)).

Ms. GAN Yanmin (甘燕敏) ("Ms. Gan"), aged 43, is our deputy general manager and is responsible for the operation and the management of our Group. She has assumed various positions since she joined Tianyuan, including the head of the business department from March 2007 to August 2007, the deputy general manager and director since 2008.

Prior to joining our Group, Ms. Gan joined the New Staff Training Course* (新職工業務培訓班) held by the Maoming Branch of Industrial and Commercial Bank of China * (中國工商銀行茂名分行) in October 1993. She received an outstanding certificate awarded by the Communist Youth League of Industrial and Commercial Bank of China Maoming Branch Committee* (共青團工商銀行茂名分行委員會) from 1997 to 1998. Ms. Gan also worked as the business executive of the marketing department of China United Telecommunications Group Company Limited Maoming Branch* (中國聯合網絡通信有限公司茂名市分公司) from October 1999 to April 2002.

Ms. Gan obtained an accounting (computer science) profession* (會計學(計算機應用)專業) from Guangdong Open University (廣東開放大學) (formerly known as Guangdong Radio & TV University* (廣東廣播電視大學)).

* *for identification propose only*

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LUO Lifeng (羅立鋒) ("Mr. Luo"), aged 31, is the chief financial officer of our corporate finance department and is responsible for financial management of our Group. He joined our Group in September 2015 and has been the financial officer of Maoming Jinyuan since then.

Prior to joining our Group, he worked at Ernst & Young from October 2012 to May 2015 with the last position being senior accountant at the assurance department. He also worked as the manager of the financial management centre of the real estate segment of Maoming Tianyuan Trade Development Company Limited* (茂名市天源商貿發展有限公司) from June 2015 to September 2016.

He completed the undergraduate course in financial management at Jinan University in June 2012.

COMPANY SECRETARY

Mr. HUNG Chung Wah (洪從華) ("Mr. Hung"), aged 42, was appointed as our company secretary and financial controller on 10 May 2018 and possesses over 18 years of experience in accounting and auditing. Since November 2002, Mr. Hung has been certified as a Financial Risk Manager by the Global Association of Risk Professionals. He has been a Certified Public Accountant accredited by the Hong Kong Institute of Certified Public Accountants since January 2004 and a Fellow of the Association of Chartered Certified Accountants since November 2007.

Prior to joining our Group, Mr. Hung worked at Ernst & Young with his last position as Audit Senior from February 2004 to May 2005. From May 2005 to May 2006, Mr. Hung worked as company secretary and qualified accountant at CCID Consulting Company Limited, a company listed on the GEM Board of the Stock Exchange (stock code: 8235). From August 2006 to May 2008, Mr. Hung worked as company secretary, qualified accountant and finance manager at Kenfair International (Holdings) Limited (now known as Elife Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 223). He also worked as finance manager at Kenfair International Limited from August 2006 to October 2009. Mr. Hung then worked as chief financial officer at United Food Holdings Limited (Singapore Stock Code: AZR) from March 2010 to September 2015.

Mr. Hung obtained a bachelor of business administration (honours) in accountancy degree with first class honours in November 1999 from City University of Hong Kong.

* *for identification propose only*

CORPORATE GOVERNANCE PRACTICES

The Board recognizes the importance of good corporate governance standards and internal procedures so as to achieve effective accountability and enhance Shareholders' value.

The Board is of the opinion that, since the Listing Date and up to 31 December 2018 (the "Reporting Period"), the Company has complied with applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for Code provision A.2.1 which requires the roles of chairman and chief executive to be separate and not to be performed by the same individual. The Board is of the view that there is adequate balance of power and authority in place as all major decisions have been made in discussion among Board members and appropriate Board committees. In addition, there are three independent non-executive Directors on the Board offering their experiences, expertise, independent advice and views to the Board's affairs from different perspectives. Therefore, it is in the best interest of the Company that Mr. Yang Jinming, with his in-depth knowledge in the businesses and extensive experience of the operations of the Group, shall assume his dual capacity as the Chairman and Chief Executive Officer.

Further, code provision C.2.5 requires the issuer should have an internal audit function. The Company does not establish a standalone internal audit department, however, the Board has put in place adequate measures to perform the internal audit function in relation to different aspects including (i) the Board has established formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations and (ii) the Company engaged an external consultant to perform an internal review on the scope determined by the Audit Committee. The Company considers that the existing organisation structure and close supervision by the management and the abovementioned engagement of the external consultant can maintain sufficient risk management and internal control of the Group. The Board will review the need to set up an internal audit function from time to time and may set up an internal audit team if the need arises.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, each of them confirmed that he/she has complied in full with the Model Code throughout the Reporting Period.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the leadership and control of the Company, reviewing and monitoring the Group's business performance, formulating strategic business development, approving major funding and investment proposals, as well as preparing and approving financial statements of the Group. The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approvals must be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board is responsible for performing the corporate governance functions set out in provision D.3.1 of the CG Code. As at the date of this Annual Report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training of Directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the CG Code disclosures requirements.

Composition

During the year ended 31 December 2018 and up to the date of this Annual Report, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors:

Executive Directors:

Mr. Yang Jinming *(Chairman and Chief Executive Officer)*
Ms. Tong Wai Man
Mr. Su Baihan

Non-executive Director:

Mr. Yang Fan

Independent non-executive Directors:

Mr. Pang Hon Chung
Professor Wu Jinwen
Mr. Huang Yaohui

The biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 11 to 14 of this Annual Report.

There was no financial, business, family or other material relationship among the Directors during the Reporting Period and up to the date of this Annual Report.

In compliance with Rule 3.10(1) of the Listing Rules, the Board currently comprises three independent non-executive Directors, representing more than one-third of the Board. Each of the independent non-executive Directors has confirmed by annual confirmation in writing that he has complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Company considers that all three independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement. The Directors are experienced in a range of corporate and industry expertise. Amongst the three independent non-executive Directors, Mr. Pang Hon Chung has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Through active participation in the Board meetings and serving on various Board committees, all independent non-executive Directors will continue to make various contributions to the Company.

Since the Listing Date, Mr. Yang Jinming, being an executive Director and the Chief Executive Officer of the Company, will at least annually hold one meeting with the independent non-executive Directors without the presence of other executive Directors.

There were regular and timely communications among the Directors and the senior management of the Group, the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks. Proper insurance coverage in respect of legal actions against the Directors' liabilities has been arranged by the Company since 17 May 2018 and accordingly, the Company has complied with code provision A.1.8 of the CG Code.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors will receive comprehensive, formal and tailored induction on the first occasion of their appointment so as to ensure that they have appropriate understanding of the business of the Company and the obligation and responsibility of being a director. Directors' training is an ongoing process.

Pursuant to the provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2018, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills in relation to their contribution to the Board. The individual training record of each Director received during the Reporting Period is summarised below:

Directors	Attending training course(s)/reading materials
Executive Directors	
Mr. Yang Jinming	✓
Ms. Tong Wai Man	✓
Mr. Su Baihan	✓
Non-executive Director	
Mr. Yang Fan	✓
Independent non-executive Directors	
Mr. Pang Hon Chung	✓
Professor Wu Jinwen	✓
Mr. Huang Yaohui	✓

BOARD MEETINGS

Provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of Directors, either in person or through other electronic means of communication. The Board will schedule to have at least four regular meetings in a year. Notice of at least 14 days will be given of a regular Board meeting.

For other Board meetings, reasonable notice will generally be given. All Board committee meetings require a notice of at least seven days to be given, unless such notification is waived by all members of the respective Board committees. The agenda and accompanying Board papers are despatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Minutes of the Board meetings and Board committee meetings are/will be recorded in sufficient detail to include the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

Due to the fact that the Company was listed on 1 June 2018, two Board meetings have been held during the Reporting Period. The attendance records of the respective Directors to these Board meetings are set out below:

Name of Director	**Attendance/ Meeting held during the Reporting Period**
Mr. Yang Jinming *(Chairman and Chief Executive Officer)*	2/2
Ms. Tong Wai Man	2/2
Mr. Su Baihan	2/2
Mr. Yang Fan	1/2
Mr. Pang Hon Chung	2/2
Professor Wu Jinwen	2/2
Mr. Huang Yaohui	2/2

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

BOARD COMMITTEES

The Board has established three committees, namely, (i) Remuneration Committee, (ii) Nomination Committee, and (iii) Audit Committee with defined terms of reference. The terms of reference of the Board Committees, which explain their respective role and the authority delegated to them by the Board, are available on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance under appropriate circumstances, at the Company's expenses.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under the section "Corporate Information" on page 2 of this Annual Report.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 10 May 2018 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and provision B1.2 of the CG Code. During the Reporting Period, a majority of the members of the Remuneration Committee are independent non-executive Directors and the Remuneration Committee comprised the following members:

Professor Wu Jinwen	(Independent non-executive Director and the chairman of the Remuneration Committee)
Mr. Huang Yaohui	(Independent non-executive Director)
Ms. Tong Wai Man	(Executive Director)

The primary duties of the Remuneration Committee are, among others, to review and approve the management's remuneration proposals, make recommendations to the Board on the remuneration packages of the Directors and senior management and ensure none of the Directors determine their own remuneration.

The members of the Remuneration Committee should meet at least once a year. Due to the fact that the Company was listed on 1 June 2018, no Remuneration Committee meeting has been held during the Reporting Period.

Subsequent to the end of the year and up to the date of this Annual Report, the first meeting of the Remuneration Committee was held on 23 March 2019 for, inter alia, reviewing the remuneration packages for individual executive Directors and senior management and making recommendations to the Board. The attendance records of the respective members of the Remuneration Committee at this meeting are set out below:

	Attendance/ Meeting held from the Listing Date to the date of this Annual Report
Professor Wu Jinwen *(Chairman)*	1/1
Mr. Huang Yaohui	1/1
Ms. Tong Wai Man	1/1

NOMINATION COMMITTEE

The Company established the Nomination Committee on 10 May 2018 with written terms of reference in compliance with provision A5.2 of the CG Code. During the Reporting Period, a majority of the members of the Nomination Committee are independent non-executive Directors and the Nomination Committee comprised the following members:

Mr. Yang Jinming	(Executive Director and the chairman of the Nomination Committee)
Professor Wu Jinwen	(Independent non-executive Director)
Mr. Pang Hon Chung	(Independent non-executive Director)

The primary duties of the Nomination Committee are, among others, to review the structure, size and composition of the Board and, make recommendations on the selection of individuals nominated for directorships and assess the independence of independent non-executive Director.

Any member of the Nomination Committee may call for a meeting anytime when it is necessary. Due to the fact that the Company was listed on 1 June 2018, no nomination committee meeting has been held during the Reporting Period.

Subsequent to the end of the year and up to the date of this Annual Report, the first meeting of the Nomination Committee was held on 23 March 2019 and has, inter alia, reviewed the structure, size and composition of the Board and assessed the independence of the independent non-executive Directors. The attendance records of the respective members of the Nomination Committee at this meeting are set out below:

	Attendance/ Meeting held from the Listing Date to the date of this Annual Report
Mr. Yang Jinming *(Chairman)*	1/1
Professor Wu Jinwen	1/1
Mr. Pang Hon Chung	1/1

NOMINATION POLICY

The key objectives of the nomination policy (the "Nomination Policy") is to set out the principles which guide the Nomination Committee of the Company to identify and evaluate a candidate for nomination to (i) the Board for appointment or (ii) Shareholders for election, as a Director of the Company.

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:

- Skills, Experience and Professional Expertise: The candidate should possess the skills, knowledge, experience and professional expertise which are relevant to the operations of the Company and its subsidiaries;

- Diversity: Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the Board Diversity Policy of the Company;

- Commitment: The candidate should be able to devote sufficient time to attend the Board meetings and participate in induction, training and other board associated activities. In particular, if the proposed candidate will be nominated as an independent non-executive Director and will be holding his/her seventh (or more) listed company directorship, the Nomination Committee should consider the reason given by the candidate for being able to devote sufficient time to the Board and committee meetings;

- Standing: The candidate must satisfy the Board and the Stock Exchange that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company; and

- Independence: The candidate to be nominated as an independent non-executive Director must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he/she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director .

Nomination Procedures

If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate.

The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a Shareholder as a nominee for election to the Board and the appointment or re-appointment of Directors and succession planning for Directors is subject to the approval of the Board.

On making recommendation, the Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. In order to be a valid proposal, the proposal must clearly indicate the nominating intention and the candidate's consent to be nominated and the personal profile must incorporate and/or accompanied by the full particulars of the candidate that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules. If the candidate is proposed to be appointed as an independent non-executive Director, his/her independence shall be assessed in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

The Board shall observe the Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving board diversity.

Each proposed new appointment, election or re-election of a Director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the Shareholders for consideration and determination.

Monitoring and review of the Nomination Policy

The Nomination Committee will monitor the implementation of the Nomination Policy and from time to time review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy.

AUDIT COMMITTEE

The Company established the Audit Committee on 10 May 2018 with written terms of reference in compliance with Rule 3.22 of the Listing Rules and provision C3.3 of the CG Code set out in Appendix 14 to the Listing Rules. The Audit Committee comprised the following members:

Mr. Pang Hon Chung	(Independent non-executive Director and the chairman of the Audit Committee)
Professor Wu Jinwen	(Independent non-executive Director)
Mr. Huang Yaohui	(Independent non-executive Director)

The primary duties of the Audit Committee are, among others, to make recommendation to our Board on the appointment, reappointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, oversee our financial reporting process, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by the Board.

The members of the Audit Committee should meet at least twice a year. Due to the fact that the Company was listed on 1 June 2018, one Audit Committee meeting has been held to discuss and approve the interim results during the Reporting Period.

The Audit Committee has, inter alia, reviewed the consolidated financial statements of the Group for the six months ended 30 June 2018, including the accounting principles and practices adopted by the Group, as well as internal control system of the Group. The attendance records of the respective members of the Audit Committee at these meetings are set out below:

	Attendance/ Meeting held during the Reporting Period
Mr. Pang Hon Chung *(Chairman)*	1/1
Professor Wu Jinwen	1/1
Mr. Huang Yaohui	1/1

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Directors has entered into a service agreement with the Company for a term of one year commencing from the Listing Date until terminated by not less than two months' notice in writing served by either party on the other.

Save as disclosed above, none of the Directors has entered into a service agreement or agreement for appointment with the Company or any of its subsidiaries other than the agreement expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Each of the Directors is subject to retirement by rotation at least once every three years. According to the articles of association of the Company (the "Articles of Association" or "Articles"), at each AGM of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at an AGM of the Company at least once every three years. A retiring Director shall be eligible for re-election.

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the AGM shall retire by rotation at such AGM. The Directors to retire by rotation in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation.

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number (if any) determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an AGM.

In accordance with the Articles of Association of the Company, Mr. Yang Jinming, Ms. Tong Wai Man, Mr. Su Baihan, Mr. Yang Fan shall retire at the 2019 AGM of the Company. Further, in accordance with the Articles of Association of the Company, Mr. Pang Hon Chung, Professor Wu Jinwen and Mr. Huang Yaohui shall hold office only until the 2019 AGM of the Company after their appointment and be subject to re-election at the 2019 AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the 2019 AGM of the Company.

BOARD DIVERSITY POLICY

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. These differences will be taken into account in determining the optimum composition of the Board. The Nomination Committee will discuss the measurable objectives for implementing diversity on the Board from time to time and recommend them to the Board for adoption. The Nomination Committee will report annually on the composition of the Board under diversified perspectives, and monitor the implementation of this policy to ensure the effectiveness of this policy. It will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements that give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The financial statements are prepared in accordance with the Hong Kong Financial Reporting Standards. The statement of the external auditor of the Company about its responsibilities on the financial statements is set out in the independent auditor's report on pages 54 to 58 of this Annual Report.

EXTERNAL AUDITOR'S REMUNERATION

The Company has engaged PricewaterhouseCoopers as its external auditor for the year ended 31 December 2018 until the conclusion of the forthcoming AGM of the Company. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. During the year ended 31 December 2018, the fee paid/payable to PricewaterhouseCoopers in respect of its services relating to the audit of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018 was approximately RMB1.4 million. There was no non-audit service fee incurred for the year ended 31 December 2018.

Accountability and Audit

The Directors have acknowledged by issuing a management representation letter to the Auditor that they bear the ultimate responsibility of preparing the financial statements of the Group.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the risk management and internal control of the Group and for reviewing their effectiveness in order to safeguard the Shareholders' investment and the Group's assets. Appropriate policies and procedures have been designed to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations.

Procedures have been set up for safeguarding assets against improper use or disposal, controlling over capital expenditure, maintaining proper financial and accounting records and ensuring the reliability of financial information used for business and publication. Key risks that may impact on the Group's performance are appropriately identified and managed. Qualified management of the Group maintains and monitors the risk management and internal control systems on an ongoing basis and reports to the Audit Committee at regular meetings. The Board has conducted a review of the effectiveness of the risk management and internal control system of the Group and is reasonably satisfied that the Group has fully complied with the CG Code in respect of risk management and internal controls during the year ended 31 December 2018. The systems and internal control can only provide reasonable and not absolute assurance against material misstatement or loss, rather than eliminate the risks of failure to achieve business objectives.

The Board had reviewed the effectiveness of the Group's internal control and risk management systems for the year ended 31 December 2018 and is satisfied that, based on information furnished to it and on its own observations, the present internal control systems of the Group are satisfactory.

COMPANY SECRETARY

The company secretary of the Company is Mr. Hung Chung Wah, whose biography details are set out in the section headed "Biographies of Directors and Senior Management" of this Annual Report. Mr. Hung has been informed of the requirement of the Rules 3.28 and 3.29 of the Listing Rules, and he confirmed that he had attained no less than 15 hours of relevant professional training during the year ended 31 December 2018.

ALTERATIONS TO THE CONSTITUTIONAL DOCUMENTS

On 10 May 2018, the Company has adopted an amended and restated memorandum and articles of association, a copy of which had been subsequently uploaded to the websites of the Company and the Stock Exchange. Save as disclosed above, there had been no alterations to the constitutional documents of the Company during the year ended 31 December 2018 and up to the date of this Annual Report.

SHAREHOLDERS' RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

The Company aims to, via its corporate governance structure, enable all the Shareholders an equal opportunity to exercise their rights in an informed manner and allow all the Shareholders to engage actively with the Company. Under the Articles of Association, the Shareholder communication policy and other relevant internal procedures of the Company, the Shareholders enjoy, among others, the following rights:

Participation at General Meetings

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM of the Company, shall be called an extraordinary general meeting ("EGM").

Right to Put Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary of the Company at Room C, 29/F., Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the Chief Executive Officer of the Company.

Convening of EGM and Putting Forward Proposals at General Meetings

In accordance with the article 64 of the Articles, the Board may whenever it thinks fit convene extraordinary general meetings. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company at Room C, 29/F., Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Hong Kong for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Nomination of Director

In accordance with the article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Company's principal office in Hong Kong at Room C, 29/F., Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Hong Kong or at the Hong Kong branch share registrar of the Company at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. The period for lodgement of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scope and Reporting Period

This is the first Environmental, Social, and Governance (the "ESG") Report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in Tianyuan Terminal ("Tianyuan") and Zhengyuan Terminal ("Zhengyuan"), in the Shuidong port area of the Port of Maoming, the People's Republic of China ("PRC") from 1 January 2018 to 31 December 2018, unless otherwise stated.

During the reporting period, the Group's total throughput were 3,941 thousand tonnes, providing principal services on:

1. Bulk cargo uploading and unloading services for coal, quartz sand, oil products, grains, asphalt and kaolinite; and

2. Related ancillary value-added port services such as storage at oil tanks and grain barns and equipment rental.

Stakeholder Engagement and Materiality

In order to identify the most significant aspects for the Group to report on for this ESG report, the Group regularly collects views and discusses ESG issues with stakeholders through a variety of channels, such as online platform, annual reports, surveys, regular dialogue and meetings. The Group also commissioned an independent third-party consultant to assist in conducting a materiality analysis in environmental and social aspects. In the reporting year, the Group has specifically engaged board members, senior management, frontline staff, customers and suppliers to gain further insights on ESG material aspects and challenges, and have identified the following top 5 material aspects:

1. Waste and Effluent;

2. Occupational Health and Safety;

3. Customer Service;

4. Green and Sustainable Pier; and

5. Anti-corruption.

The Board is committed to closely monitoring the above aspects and will continue to identify areas of improvement. The Group aims to keep close communication with its stakeholders for advancing economic benefits while improving ESG performance and managing ESG-related risks, and to be prepared for future business development and challenges.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at ir_tianyuan@hotmail.com.

A. Environmental

A1. Emissions

During the reporting period, the Group did not note any cases of material non-compliance relating to air and greenhouse gas ("GHG") emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations.

The Group adopts environmental management system and strictly complies with national and local laws and regulations related to environmental protection and pollution control, including but not limited to the followings:

— Environmental Protection Law of the PRC

— Air Pollution Prevention and Control Law of the PRC

— Water Pollution Prevention and Control Law of the PRC

— Marine Environmental Protection Law of the PRC

— Emission Limits of Air Pollutants of Guangdong Province (DB44/27-2001)

— Discharge Limits of Water Pollutants of Guangdong Province (DB44/26-2001)

— Emission Standard for Industrial Enterprises Noise at Boundary (GB 12348-2008)

The Group regularly engages qualified professionals to conduct environmental assessment and provides monitoring reports on wastewater, noise and air pollution (suspended particles) to ensure compliance with standards and emission limits and related laws and regulations.

A1.1 Air Emissions

During the reporting year, liquified petroleum gas ("LPG") was used at canteen, petrol and diesel were used for Group-owned light goods vehicles and other mobile machineries including forklifts, contributing to the emissions of 0.61 kg of nitrogen oxides ("NO_x") and 0.93 kg of sulphur oxides ("SO_x"). Respiratory suspended particles ("PM") emission was not reported due to lack of information during the reporting period.

A1.2 Greenhouse Gas Emissions

Scope of Greenhouse Gas Emissions	**Emission Sources**		**Emission (in tonnes of carbon dioxide equivalent "tCO_2e")**	**Total Emission (in %)**
Scope 1 Direct Emissions	Combustion of Fuels in Stationary Source	LPG	9.96	17
	Combustion of Fuels in Mobile Sources	Diesel	134.84	
		Petrol	17.06	
	Release of Refrigerants from the Operation of Equipment and Systems		73.86	
Scope 2 Energy Indirect Emission	Purchased Electricity		1,065.18	79
Scope 3 Other Indirect Emissions	Paper Waste Disposal		1.72	4
	Fresh Water Consumption		55.93	
	Business Air Travel		0.21	
Total			**1,358.75**	**100**

Notes:

— Emission factors were made reference to Appendix 27 of the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.

— Combined margin emission factor of 0.63 tCO_2/MWh were used for purchased electricity.

There were 1,358.75 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operations in the reporting period, with an intensity of 0.34 tCO_2e per thousand tonnes of total cargo throughput.

A1.3 Hazardous Waste

The Group's overall business did not involve generation of significant amount of hazardous waste, thus no such data is being presented in this ESG report.

A1.4 Non-hazardous Waste

The Group generated approximately 29.10 tonnes of scrap metal from trimming works at the terminals and 0.36 tonnes of paper waste during the reporting period.

A1.5 Measures to Mitigate Emissions

The Group attaches great importance to emission reduction and mitigation, and has been adopting below measures during daily terminal operation:

Dust Suppression and Prevention Measures

— A total of 20 sprinklers have been installed at the terminals for spraying the storage zones and dust suppression. Water sprinkling frequency varies, depending on the daily work schedule, weather conditions and type of storage materials and products;

— During the on-site management of loading and unloading of coal by crane and forklift, height of loading and unloading are controlled and monitored to minimize fugitive emission of pulverized coal;

— Haul roads between ports and storage are cleaned at least once per week to remove accumulated dust and fine particles and shall be sprayed with water to maintain wet surface for dust suppression, together with enforced vehicle speed limit;

— Tarpaulin covers are provided for coal storage;

— Vehicles loading of coal shall not exceed the height of the container area, and loading must be covered when vehicles are being driven; wheels of vehicles must be washed before leaving terminals;

— Maintain the terminal entrances clean by engaging external professional cleaning company to clean entrance and nearby road surface at least once per day;

— Enhance the environmental awareness of employees operating on cranes and forklifts; and

— Strengthen the communication with clients to speed up the shipping out process of coal and reduce duration of coal storage at the terminals.

Refrigerant

Refrigerant/blend R410A, R22 and R134a were used during the reporting period. The Group has planned to gradually eliminate the use of R22 with more environmentally friendly refrigerant/blend like R410A and R134a which do not contain chlorine and have relatively lower ozone depletion potential ("ODP") and global warming potential ("GWP") values. Nevertheless, the Group will implement measures on ensuring air conditioning is used only when necessary for occupancy or proper cooling temperature, adopting the use of electric fans and choosing energy efficient air conditioners in future purchase, and ensuring regular maintenance on existing air conditioning systems.

A1.6 Wastes Handling and Reduction Initiatives

Waste generation was minimal during daily operation of the terminals. For non–hazardous waste such as paper waste and domestic waste, the Group engaged qualified municipal cleaning company for waste collection and further handling. For scrap metal from trimming works, they are collected by third–parties for waste compression and transferred back to manufacturing plants for scrap recycling. Moreover, during the operation of oil tanker delivery, small amount of oil residue inside the pipelines are cleaned using high flow nitrogen or steam blowing. Residue are then collected and returned to tank trucks or pumped back into ships.

The Group has implemented waste reduction measures in terms of material procurement, materials storage and maximized use of materials, as well as encouraging employees to make use of electronic documents rather than physical documents, and practice double–sided printing when printout is necessary.

A2. Use of Resources

The Group is committed to promoting green and effective terminal operations and has been practicing the efficient use of resources by switching to cleaner fuels and maximizing water reuse during terminal operations. The Group will consider developing relevant policies in the future.

A2.1 Energy Consumption

The Group business operations resulted in a total energy consumption of 2,307,127 kWh, with an energy intensity of 585.41 kWh per thousand tonnes of total cargo throughput. 1,689,820 kWh of electricity was consumed for daily office and terminal operations; 3,300 kg of LPG was used at canteen; and 6,331 litres of petrol and 51,529 litres of diesel were used for Group-owned light goods vehicles and other mobile machineries such as forklifts.

Energy Consumption Sources	Consumption (in kWh)
LPG	45,997
Diesel	515,204
Electricity	1,689,820
Petrol	56,106
Total	**2,307,127**

A2.2 Water Consumption

Fresh water consumption by the Group was 138,951 m^3 with an intensity of 35.26 m^3 per thousand tonnes of total cargo throughput during the reporting period. Water was supplied by the municipal water supply company and there were no issues in sourcing water that is fit for purpose. Water was mainly used for dust compression on-site for haul roads and storage areas with coal and other materials.

A2.3 Energy Use Efficiency Initiatives

During the reporting period, full electric operation of cranes is adopted at terminals instead of conventional fuels. The Group will closely monitor and review current setting and system related to energy consumption and will set up policies and procedures in the coming years. Currently, below management measures are in place to reinforce the Group's energy saving practice during operation and overall environmental awareness within the workforce:

Fuel Saving Measures

— Ensure existing forklifts meet China IV emission standards or above;

— Conduct routine maintenance for all vehicles and machineries to ensure that they are in good operating conditions for achieving greater fuel efficiency; and

— Improve drivers' driving techniques and operating skills.

Electricity Conservation Measures

— Strengthen the environmental awareness of employees, and encourage the development of good power saving habits;

— Adopt the use of energy–saving equipment, such as solar powered street lights and LED lights; and

— Reduce electrical appliances in standby mode, eliminate unnecessary consumption.

A2.4 Water Use Efficiency Initiatives

To reduce fresh water consumption, wastewater at terminals are being collected and treated on-site with several sedimentation processes with a total capacity of 3,000 m^3, followed by reusing the treated wastewater with high pressure water pumps and sprinklers for dust suppression on-site. The Group will further look into water conservation practice for terminal operations in the coming years.

A2.5 Packaging Material

The Group's business did not involve any use of packaging materials, hence no data nor information is being presented in this ESG report.

A3. The Environment and Natural Resources

The Group has engaged external consultant to conduct environmental incident risk assessment for the terminal operations, to gain insight of its business impact to the environment and natural resources. The assessment will be beneficial to future development on management measures and policies on further minimizing the Group's overall environmental impacts.

A3.1 Significant Impacts of Activities on the Environment

The Group understands that its electricity consumption contributes to the Group's biggest emission of GHGs, with potential air pollution related to fugitive emission from coal and water pollution from wastewater generated on-site. The Group strives to explore opportunities in optimizing natural resource use, and minimizing its overall waste generation and GHG emissions, as well as implementing effective recycling program for waste.

B. Social

1. Employment and Labour Practices

B1. Employment

The Group had a total number of 212 employees as of 31 December 2018, in which all employees were full-time employees from the PRC.

The Group did not note any cases of material non-compliance in relation to employment during the reporting period, and the Group strictly complies with guidelines, national and local laws and regulations, including but not limited to the followings:

— Labour Law of the PRC

— Labour Contract Law of the PRC

— Employment Promotion Law of the PRC

— Social Insurance Law of the PRC

— Law of the PRC on the Prevention and Control of Occupational Diseases

— Regulation on Paid Annual Leave for Employees

— Regulation on Public Holidays for National Annual Festivals and Memorial Days

— Discrimination (Employment and Occupation) Convention

Workforce	2018
By Gender	
Female	**19%**
Male	**81%**
By Employee Category	
Senior Management	**1%**
Middle Management	**11%**
Frontline and Other Employees	**88%**
By Age Group	
18-25	**14%**
26-35	**37%**
36-45	**33%**
46-55	**15%**
56 or above	**1%**

The Group has adopted human resources management system which maintains the rules and standards on employees' recruitment, working hours, leaves and holidays, compensation, business trip, salary system and welfare, internal transfer and promotion, award and penalty, resignation, retirement and dismissal.

Equal Opportunity

Equal opportunities are provided to all staff regardless of nationality, race, religious, age, sex or marital status on recruitment, promotion, compensation, and training. Formal complaints or grievance procedure are in place, and the Group strives to treat all employees equally, without any form of workplace discrimination.

Turnover

A total number of 15 employees, all from the PRC, left the Group during the reporting period, contributing to overall turnover rate of 7%. The Group adjusts employees' salary with reference to market price and continues to provide welfare to employees to enhance their sense of belongings, such as annual outing, monthly birthday celebration, external team building activities, festival celebration and annual award dinner to recognize employees' hard work and their contribution. The annual turnover rates (categorized by gender and age groups) in the reporting period are as follows:

Turnover Rate	**2018**
By Gender	
Female	**0%**
Male	**9%**
By Age Group	
18-25	**24%**
26-35	**9%**
36-45	**1%**
46-55	**0%**
56 or above	**0%**

B2. Employee Health and Safety

During the reporting period, the Group did not note any cases of material non-compliance in relation to health and safety laws and regulations, and strictly complies with national and local laws and regulations, including but not limited to the followings:

— Law of the PRC on the Prevention and Control of Occupational Diseases

— Production Safety Law of the PRC

In particular, the Group closely monitors the requirement and guidelines as stated in the Measures for the Supervision and Administration of Employers' Occupational Health Surveillance and the Provisions on Response to Public Health Emergencies.

The Group is committed to ensuring health, safety and welfare of its employees. The Group's Safety Production Management Manual has stated the Group's leadership and each department's responsibilities on safety production. It also provides safety related targets, monitoring and evaluation parameters, rewards and punishment, documentation, equipment repair and maintenance, training and various work procedures involved in terminal operations.

Personal protection equipment (PPE) is provided to every employee according to their work positions, and there are clear corporate regulations on the purchase, distribution, usage, replacement and disposal of PPE. Municipal institution on occupational health and safety is engaged to carry out annual occupational health check for employees and occupational risk assessment and monitoring of the workplace. Fire drills are also carried out at least once per year to raise and maintain employees' awareness and preparedness on emergencies.

During the reporting period, there were no work-related fatalities nor injuries from daily office and terminal operations.

Occupational Health and Safety Data	**2018**
Work related fatality	0
Work injury cases >3 days	0
Work injury cases ≤3 days	0
Lost days due to work injury	0

B3. Development and Training

The Group recognizes that training is very important to individual employees and business development, thus the Group has established training and development management system to support employees' on-the-job training and education, to enhance their knowledge and skills. The Group engaged both internal experienced employees and external professionals as trainers for the courses. The Group has also formulated annual training plan and system to encourage and support employees to participates continuous education and various types of training as per their job requirements. The Group believes that development and training create a win-win opportunity for both employees and sustainable business. The Group will continue strengthening on-the-job training based on individual roles with specific skills, and more training on overall safety awareness and operational skills will be provided for frontline employees.

A total of 1,661 training hours were conducted in the reporting period. Percentage of employees trained (categorized by gender and employee category) and the training hours (categorized by gender and employee category) are shown below:

	2018
Percentage of Employees Trained by Gender	
— Male	64%
— Female	60%
Percentage of Employees Trained by Employee Category	
— Senior Management	100%
— Middle Management	100%
— Frontline and Other Employees	58%
Average Training Hours Completed per Employee by Gender	
— Male	8 hours
— Female	7 hours
Average Training Hours Completed per Employee by Employee Category	
— Senior Management	39 hours
— Middle Management	17 hours
— Frontline and Other Employees	6 hours

B4. Labour Standards

In pursuance of the Group's human resources management system, the Labour Law of the PRC, the Labour Contract Law of the PRC and other related national laws of the PRC, there was no child labour nor forced labour working in the Group. No material non-compliance in relation to laws and regulations regarding prevention of child and forced labour was recorded during reporting period. As stated in the employment contract, the human resources department must carry out checks on background and identification documents to authenticate information provided by job applicants and to ensure the hired employees have met the age requirement.

2. **Operating Practices**

B5. Supply Chain Management

The Group has engaged 66 local suppliers and contractors in the PRC during the reporting period, mainly for their services on labour works regarding loading and unloading, supplies for fuels, repair and maintenance works and daily office operation. When selecting suppliers and contractors, the Group has procurement policies and selects suppliers and contractors based on various factors and conditions such as businesses' qualifications and reputation, as well as the products' quality, delivery time, after-sales service and price. Moreover, the Group regularly monitors and evaluates the performance of supplier and contractors and ensures they meet the standards as required. The Group will consider integrating elements related to environmental and social parameters when engaging suppliers and contractors in the coming years.

B6. Product Responsibility

During the reporting period, the Group did not note any cases of material non-compliance regarding health and safety, advertising, labelling and privacy matters relating to products and services provided as required by related laws and regulations. There were no recalls nor complaints received related to products and service provided at the terminals. Clauses related to protection of the Group's intellectual property and privacy matters are included in the employment contract.

B7. Anti-corruption

The Group strictly abides by all laws and regulations related to anti-corruption. There was no concluded legal case regarding corrupt practices brought against the Group or its employees and the Group did not note any cases of non-compliance with laws and regulations on money laundering, bribery, extortion, fraud or corruption during the reporting period. The Group has developed codes of conduct and ethics to standardize professional conduct and business ethics, promoting honest and respectful working culture, and preventing behaviours that may harm the interests of the Group and Shareholders. As preventive measures for corruption or illegal conducts, the Group has provided whistle-blowing channels to encourage employees to report directly to senior management if there are any suspected cases.

B8. Community Investment

The Group does not have policies on community engagement, nevertheless, the Group has been caring for and supporting the local community in which the community's economic incomes mainly rely on shrimp farming and fishing. RMB 21,800 was donated to fund the community's pension during the reporting period.

RISK FACTORS

The Group's business, financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's business. The following are some principal risks and uncertainties, which the Group believes could affect its business, financial condition or results of operations or growth prospects. These principal risks and uncertainties are by no means exhaustive or comprehensive, and there may be other factors in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

ECONOMIC CONDITIONS AND SERVICE DEMAND

The Group is dependent upon the economic conditions of its major surrounding areas, which mainly include Guangdong and Guangxi, to sustain its throughput. Should the economic growth of the Group's major surrounding areas slow down, the demand for the Group's services may decline, which could adversely and materially affect its business and results of operations.

The Group's business and results of operations are subject to changes in its customers' service demand, which in turn depends on factors beyond the Group's control. Any change in customers' preferences, a decline in customers' business performance or diversion of customers' business to the Group's competitors could result in lower demand of the Group's services, which could have an adverse effect on the Group's sales and profits.

INTENSIFYING COMPETITION

The Group is, to a certain extent, subject to the competition from other port operators located in Guangdong and Guangxi. The Group is the largest handler of bulk cargo, such as coal and fuel oil in the Port of Maoming. However, other port areas in the Port of Maoming, such as Bohe new port area and Jida port area are under construction or planned to be constructed. The Group may be subject to intensified competition if the constructions of these other port area are completed in the future.

OPERATING RISKS

The Group's operations are exposed to certain hazards associated with the goods it handles such as coal, oil products and asphalt, including (i) leakage of flammable materials storage tanks; (ii) fires; and (iii) other environmental risks, etc.

The Group is still exposed to risks surrounding the aforementioned risks even though the Group has complied with requisite safety requirements and standards.

CREDIT RISK

If any of the Group's major customers experience financial difficulties and are unable to settle outstanding amounts due to the Group in accordance with the service agreements and credit terms, the Group's working capital position may be unfavourably affected. There is no assurance that the Group will be able to fully recover its trade receivables from its customers or that they will settle the Group's trade receivables in a timely manner.

HIGHLY REGULATED INDUSTRY

The PRC port industry is highly regulated. Port operators are required to obtain a port operation licence as well as to comply with strict regulations in respect of, among other things, operational management, supervision, inspection and the uploading, unloading and storage of hazardous cargo. If the Group could not maintain its licences and qualifications, the Group's business could be adversely and materially affected.

The Board is pleased to submit its report and the audited consolidated financial statements of Tian Yuan Group Holdings Limited for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in provision of bulk and general cargo uploading and unloading services and related ancillary value-added port services in the PRC. The Group's revenue is mainly derived from business activities in the PRC. An analysis of the Group's income for the Reporting Year is set out in note 5 to the consolidated financial statements of this Annual Report.

BUSINESS REVIEW

Further discussion and analysis of the business of the Group, including a fair review of the Group's business, a discussion of the principal risks and uncertainties faced by the Group, an indication of likely future developments in the business of the Group and an analysis using financial key performance indicators, can be found in the section headed "Chairman's Statement", "Management Discussion and Analysis" and "Risk Factors" of this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in note 3 to the consolidated financial statements of this Annual Report. These discussions form part of this Directors' Report.

RESULTS

The results of the Group for the Reporting Year are set out in the consolidated statements of comprehensive income on page 59 of this Annual Report.

The state of affairs of the Group as at 31 December 2018 is set out in the consolidated balance sheets on pages 60 to 61 of this Annual Report.

The cash flows of the Group for the Reporting Year are set out in the consolidated statements of cash flows on page 63 of this Annual Report.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 21 to the consolidated financial statements of this Annual Report.

RESERVES

Movements in the reserves of the Company and the Group during the Reporting Year are set out in note 22 to the consolidated financial statements of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Year are set out in note 14 to the consolidated financial statements of this Annual Report.

FOUR YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past four years is set out on page 112 of this Annual Report.

DIRECTORS AND DIRECTORS' SERVICE AGREEMENTS

The Directors of the Company who held office during the Reporting Year and up to the date of this Annual Report were:

Executive Director
Mr. Yang Jinming *(Chairman and Chief Executive Officer)*
Ms. Tong Wai Man
Mr. Su Baihan

Non-executive Director
Mr. Yang Fan

Independent non-executive Directors
Mr. Pang Hon Chung
Professor Wu Jinwen
Mr. Huang Yaohui

All Directors of the Company are subject to retirement by rotation as required by the Articles of Association of the Company and the code provision of CG Code. In accordance with the Articles of Association of the Company, Mr. Yang Jinming, Ms. Tong Wai Man, Mr. Su Baihan, and Mr. Yang Fan shall retire at the 2019 AGM of the Company. Further, in accordance with the Articles of Association of the Company, Mr. Pang Hon Chung, Professor Wu Jinwen and Mr. Huang Yaohui shall hold office only until the 2019 AGM of the Company after their appointment and be subject to re-election at the 2019 AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the 2019 AGM of the Company.

Each of the Directors has entered into a service agreement with the Company and is subject to retirement by rotation at least once every three years. Each service agreement with executive Directors is for an initial period of one year commencing from the Listing Date. The service agreement with each Directors will be reviewed. The term of service for each of the Directors shall be renewed for a term of three years.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are set out on pages 11 to 14 of this Annual Report.

EMOLUMENT POLICY

The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to individual performance and current market rate. The remuneration committee of the Board is responsible for making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration, having considered the market competitiveness, individual performance and achievement. None of the Directors will determine their own remuneration.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note(s) 31 and 9 to the consolidated financial statements of this Annual Report.

DIRECTORS' INTERESTS IN CONTRACTS

Save and except for those disclosed under the paragraph headed "Connected and Related Party Transactions" below, no transaction, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or any entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2018 or at any time for the Reporting Period.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed for the Reporting Year.

DIRECTORS' INDEMNITIES AND INSURANCE

Subject to the applicable laws, every Director of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto pursuant to the Articles of the Company. Such provisions were in force during the course of the Reporting Year and remained in force as of the date of this Directors' Report.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules are as follows:

Interests in the Company

Name	Nature of Interest	Number of Shares held (long position)	Approximate percentage of interests in the Company
Mr. Yang Jinming	Interest in a controlled Corporation *(Note 1)*	423,000,000	70.5%
Mr. Yang Fan	Interest in a controlled Corporation *(Note 2)*	27,000,000	4.5%

Notes:

1. Mr. Yang Jinming beneficially owns 100% of the issued share capital of Sino Ford Enterprises Limited, which owns 423,000,000 shares of the Company. Therefore, Mr. Yang is deemed, or taken to be, interested in such shares held by Sino Ford Enterprises Limited for the purpose of the SFO. Mr. Yang is the sole director of Sino Ford Enterprises Limited.

2. Mr. Yang Fan beneficially owns 100% of the issued share capital of Fugang Holdings Limited, which owns 27,000,000 shares of the Company. Therefore, Mr. Yang Fan is deemed, or taken to be, interested in such shares held by Fugang Holdings Limited for the purpose of the SFO. Mr. Yang Fan is the sole director of Fugang Holdings Limited.

Interests in Associated Corporation of the Company

Name	Name of associated corporation	Capacity	Number of shares held	Approximate percentage of interests
Mr. Yang Jinming	Sino Ford Enterprises Limited	Beneficial owner	1	100%

Save as disclosed above and so far as is known to the Directors, as at 31 December 2018, none of the Directors or chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 10 May 2018. A summary of the principal terms and conditions of the Share Option Scheme is set out as follows:

The Purpose of the Scheme

The purpose of the scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The Participants of the Scheme

The participants of the scheme include:

(i) any full-time or part-time employee, executive or officer of the Group;

(ii) any Director (including independent non-executive Directors), consultant or advisor of the Group;

(iii) any substantial shareholder of the Group; and

(iv) any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.

The Maximum Number of the Shares

Pursuant to the Share Option Scheme (and any other share option schemes), the Company may grant share options to eligible participants entitling to subscribe for a total up to 60,000,000 shares, representing 10% of the total number of issued shares as at the Listing Date (excluding, for this purpose, shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Scheme or any other share option scheme of the Company). The Company may, subject to the issue of a circular, the Shareholders' approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time to 10% of the shares in issue as at the date of the Shareholders' approval and/or grant options beyond the 10% limit to eligible participants specifically identified by the Board. The above is subject to the condition that the maximum number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

Maximum Entitlement of Each Eligible Participant

The total number of the shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular, the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules.

Time of Acceptance and Exercise of an Option

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Subscription Price for Share

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and

(iii) the nominal value of a share on the date of grant of the option.

The Remaining Life of the Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years and shall expire at the close of business on the business day (for the purpose of Share Option Scheme, any day on which the Stock Exchange is open for the business of dealings in securities) immediately preceding 9 May 2028.

As at the date of this Annual Report, no option has been granted or agreed to be granted under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as is known to the Directors, as at 31 December 2018, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or shorts positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares interested/held (long position)	Approximate percentage of interests
Sino Ford Enterprises Limited	Beneficial owner	423,000,000	70.5%
Ms. Zhang Dan	Interest of spouse *(Note)*	423,000,000	70.5%

Note: Ms. Zhang Dan is the spouse of Mr. Yang Jinming, who beneficially owns 100% of the issued share capital of Sino Ford Enterprises Limited, which in turn owns 423,000,000 shares of the Company. Therefore, Ms. Zhang Dan is deemed, or taken to be, interested in such shares held by Mr. Yang Jinming through his Sino Ford Enterprises Limited for the purpose of the SFO.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTEREST

Save as the Connected and Related Party Transactions and the Non-Competition Undertakings set out below, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries nor any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries.

Non-Competition Undertakings

On 10 May 2018, the Company entered into a deed of non-competition (the "Deed of Non-competition") with Sino Ford Enterprises Limited ("Sino Ford") and Mr. Yang Jinming (collectively the "Controlling Shareholders" of the Company) within the meaning of the Listing Rules in favour of the Company.

Pursuant to the Deed of Non-competition, during the period that the Deed of Non-competition remains effective, each of the Controlling Shareholders irrevocably and unconditionally undertakes to the Company (for itself and for the benefit of each other member of the Group) that he/it shall not, and shall procure his or its close associates (other than members of the Group) not to, among other things, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or any business activity to be conducted by any member of the Group from time to time after the Listing, save for the holding of not more than 5% shareholding interests (individually or with her/his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with her/his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of Mr. Yang or Sino Ford (individually or with her/his/its close associates).

The details of the Deed of Non-competition have been disclosed in the section headed "Relationship with Controlling Shareholders" in the Prospectus of the Company dated 18 May 2018.

Each of the Controlling Shareholders has given an annual declaration to the Company confirming that he/it has complied with the non-compete undertakings provided to the Company under the Deed of Non-competition. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied for the Reporting Year.

CONNECTED AND RELATED PARTY TRANSACTIONS

Material related party transactions entered into by the Group during the year are set out in note 29 to the consolidated financial statements of this Annual Report. These related party transactions also constitute de minimis connected transactions or continuing connected transactions and exempt from the reporting, annual review, announcement and independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors or any of their respective associates had any interest in a business which competes or is likely compete, either directly or indirectly, with the business of the Group.

FINAL DIVIDEND

The Board of the Company has proposed a final dividend of RMB0.013 per ordinary share for the year ended 31 December 2018, amounted to RMB7.8 million based on 600,000,000 shares in issue as at 31 December 2018.

The proposed final dividend will be paid to Shareholders whose names appear on the register of members of the Company on Friday, 31 May 2019, if the proposal is approved by the Shareholders at the forthcoming AGM. It is expected that the final dividend will be paid on or about Friday, 14 June 2019.

Dividends payable to Shareholders will be paid in Hong Kong dollars at the average exchange rate as quoted by the People's Bank of China for the five days before 23 March 2019, which is RMB1 to HK$1.17132. Each Eligible Shareholder will receive a dividend of HK$0.01523 per ordinary share.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	10.9%	Not applicable
Five largest customers in aggregate	38.6%	Not applicable
The largest supplier	Not applicable	52.4%
Five largest suppliers in aggregate	Not applicable	67.9%

None of the Directors, their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued shares) had any interests in the Group's five largest customers or suppliers.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the Company's distributable reserves as at 31 December 2018 amounted to approximately RMB221.5 million.

DIVIDEND POLICY

The Board considers sustainable returns to Shareholders to be one of the main objectives. Stable dividend payment to Shareholders is the primary objective of the Company.

Under the applicable laws of the Cayman Islands and the Articles of Association of the Company, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group after taking into account the factors as described below and determined by the Board from time to time. The remaining net profits will be used for Group's development and operations.

The Board takes into account the following factors when proposing any dividend payout:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and
- any other factors that the Board deem appropriate.

Any final dividends declared by the Company must be approved by an ordinary resolution of Shareholders at an AGM and must not exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders such interim dividends as appear to the Directors to be justified by the profits of the Group.

The form, frequency and amount of dividend payment by the Company are subject to any restrictions under the Cayman Islands laws and the Company's Restated Memorandum and Articles of Association. The Board reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel this Policy at any time, and this Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the Companies Laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares of the Company, they are advised to consult an expert.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company on the Exchange, by private arrangement or by way of a general offer throughout the year.

USE OF NET PROCEEDS FROM THE LISTING

The Company listed its shares on the Stock Exchange on 1 June 2018. Net proceeds from the Listing (after deducting underwriting fees and commissions and related expenses) were approximately HK$49.9 million (equivalent to approximately RMB40.7 million), which has been applied in the manner as disclosed in the Prospectus.

As at 31 December 2018, the net proceeds from the Listing has been utilised as follows:

Use of net proceeds from the Listing	Planned use of net proceeds in the manner and proportion as stated in the Prospectus RMB'000	Approximate% of total actual net proceeds	Actual amount utilised from the Listing Date up to 31 December 2018 RMB'000	Balance as at 31 December 2018 RMB'000
The Construction of the new phase of Zhengyuan Terminal and the purchase of additional equipment in connection with such expansion	**36,644**	**90%**	10,885	25,759
Working capital and other general corporate purposes	**4,072**	**10%**	2,565	1,507
Total	**40,716**	**100%**	13,450	27,266

As at 31 December 2018, unutilised proceeds amounted to approximately HK$34.6 million (equivalent to approximately RMB27.3 million), which will be applied in the construction of the new phase of Zhengyuan Terminal and the purchase of additional equipment in connection with such expansion and working capital and other general corporate purposes.

As at the date of this Directors' Report, the Directors do not anticipate any change to the plan as to use of net proceeds.

RETIREMENT BENEFIT SCHEMES

Details of the employer's costs charged to the consolidated profit or loss for the year and the retirement benefit schemes of the Group are set out in note 9 to the consolidated financial statements of this Annual Report.

CORPORATE GOVERNANCE

As a publicly listed company, the Directors recognise the importance of good corporate governance standards and internal procedures so as to achieve effective accountability and enhance Shareholders' value. Details of the corporate governance are set out in the section headed "Corporate Governance Report" of this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporation, the Group strives to ensure minimal environmental impacts by carefully managing our energy consumption, water usage and waste production. For further details, please refer to the Environmental, Social and Governance Report of this Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group. The Group has been allocating staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working with relevant authorities effectively through effective communications. To the best of knowledge of the management of the Group, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group during the year ended 31 December 2018.

ANNUAL GENERAL MEETING

The AGM of the Company is scheduled to be held on Thursday, 23 May 2019. A notice convening the 2019 AGM will be published on the websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

For the purpose of determining the list of Shareholders who are entitled to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 20 May 2019 to Thursday, 23 May 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2019 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 17 May 2019.

In relation to the Proposed Final Dividend

For the purpose of determining the list of Shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 29 May 2019 to Friday, 31 May 2019, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 28 May 2019.

DONATIONS

During the year, the charitable donation made by the Group amounting to approximately RMB0.1 million.

CONFIRMATION OF INDEPENDENCE

The Company has received from the independent non-executive Directors confirmations of independence (including an annual confirmation from each of the independent non-executive Directors) pursuant to Rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors are independent of the Company under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at 31 December 2018 and up to the date of this Annual Report.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2018 and up to the date of this Annual Report.

AUDIT COMMITTEE

The Company's Audit Committee comprises of three independent non-executive Directors, namely Mr. Pang Hon Chung (as chairman), Professor Wu Jinwen and Mr. Huang Yaohui. The consolidated financial statements of the Group for the year ended 31 December 2018 together with the notes attached thereto have been reviewed by the Audit Committee.

INDEPENDENT AUDITOR

The accompanying financial statements were audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Yang Jinming
Chairman and Chief Executive Officer

Hong Kong, 23 March 2019

pwc

羅兵咸永道

To the Shareholders of Tian Yuan Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Tian Yuan Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 111, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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 FOR OPINION

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to assessment on impairment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment on impairment of trade receivables	
Refer to Note 4(c) "critical accounting estimates and judgments" and Note 17(a) trade receivables to the consolidated financial statements. As at 31 December 2018, the Group's gross trade receivables amounted to RMB8,998,000, with no provision made. When assessing the impairment of trade receivables, management estimated the lifetime expected credit losses, taking into account the aging of trade receivables, customers' repayment history, their current financial position as well as their expected operating results and ability to meet the obligation. We focused on this area because management made significant judgement in determining the impairment of trade receivables.	Our audit procedures in relation to management's assessment on the impairment of the trade receivables included: We understood and validated the key controls in place, including management's aging analysis review and regular assessment on recoverability; We tested, on a sampling basis, the accuracy of the trade receivables aging report by examining the related contracts, invoices and weighting documents of the uploading and unloading services; We obtained management's assessment on the trade receivables' recoverability and performed our independent evaluation. We corroborated management's assessment by reviewing individual customer's credit profile and payment history; We checked individual customer's subsequent settlements. For the customers with no subsequent settlement made, we also reviewed these customers' public credit reports to evaluate their financial capability; We evaluated whether the historical loss rates were appropriately adjusted for the forward–looking factors, such as the customers' expected operating results and their ability to meet the obligation. Based on the work performed, we considered management's judgement made in relation to the impairment assessment of trade receivables was supported by the evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Chiu Yin, Ivan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2019

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2018
(All amounts expressed in RMB unless otherwise stated)

		Year ended 31 December	
		2018	2017
	Notes	**RMB'000**	RMB'000
Revenue	*5*	**82,393**	81,599
Cost of sales	*8*	**(34,264)**	(30,669)
Gross profit		**48,129**	50,930
Other income	*6*	**1,061**	4,055
Other gains — net	*7*	**1,319**	71
Selling and administrative expenses	*8*	**(27,545)**	(16,295)
Operating profit		**22,964**	38,761
Finance income	*10*	**631**	–
Profit before income tax		**23,595**	38,761
Income tax expense	*11*	**(10,534)**	(12,353)
Profit for the year		**13,061**	26,408
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**13,061**	26,408
Profit and total comprehensive income attributable to:			
Owners of the Company		**5,849**	19,244
Non-controlling interests	*23*	**7,212**	7,164
		13,061	26,408
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	*12*	**0.0109**	0.0428

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEETS

As at 31 December 2018
(All amounts expressed in RMB unless otherwise stated)

		As at 31 December	
		2018	2017
	Notes	**RMB'000**	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*14*	**148,842**	128,829
Prepaid operating leases	*13*	**44,118**	45,708
Intangible assets	*15*	**9,667**	9,812
Prepayments	*18*	**105**	3,300
Deferred income tax assets	*16*	**–**	21
		202,732	187,670
Current assets			
Trade and other receivables	*17*	**14,154**	16,974
Amounts due from related parties	*29*	**149**	68,948
Prepayments and other assets	*18*	**1,276**	9,313
Term deposits	*19*	**1,773**	–
Cash and cash equivalents	*20*	**176,755**	19,391
		194,107	114,626
Total assets		**396,839**	302,296
EQUITY			
Equity attributable to owners of the Company			
Share capital	*21*	**4,895**	–
Share premium	*21*	**231,878**	155,000
Other reserves	*22*	**(21,088)**	(22,237)
Retained earnings		**85,525**	80,825
		301,210	213,588
Non-controlling interests	*23*	**70,668**	63,456
Total equity		**371,878**	277,044

As at 31 December 2018
(All amounts expressed in RMB unless otherwise stated)

		As at 31 December	
		2018	2017
	Notes	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*16*	**308**	308
		308	308
Current liabilities			
Other payables and accruals	*24*	**17,263**	15,824
Advances from customers		**–**	1,930
Contract liabilities	*5*	**1,854**	–
Current income tax liabilities		**5,536**	7,190
		24,653	24,944
Total liabilities		**24,961**	25,252
Total equity and liabilities		**396,839**	302,296

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 59 to 111 were approved by the Board of Directors on 23 March 2019 and were signed on their behalf.

Yang Jinming
Director

Su Baihan
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2018
(All amounts expressed in RMB unless otherwise stated)

	Attributable to owners of the Company								Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other capital reserves (Note 22(a)) RMB'000	Capital surplus (Note 22(b)) RMB'000	Statutory surplus reserve (Note 22(c)) RMB'000	Production safety reserve (Note 22(d)) RMB'000	Retained earnings RMB'000	Total RMB'000		
For the year ended 31 December 2017										
As at 1 January 2017	–	155,000	(64,894)	31,021	4,955	5,176	63,086	194,344	56,292	250,636
Profit and total comprehensive income for the year	–	–	–	–	–	–	19,244	19,244	7,164	26,408
Appropriation to production safety reserve	–	–	–	–	–	960	(960)	–	–	–
Appropriation to statutory reserve	–	–	–	–	545	–	(545)	–	–	–
As at 31 December 2017	–	155,000	(64,894)	31,021	5,500	6,136	80,825	213,588	63,456	277,044
For the year ended 31 December 2018										
As at 1 January 2018	**–**	**155,000**	**(64,894)**	**31,021**	**5,500**	**6,136**	**80,825**	**213,588**	**63,456**	**277,044**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**5,849**	**5,849**	**7,212**	**13,061**
Appropriation to production safety reserve	**–**	**–**	**–**	**–**	**–**	**1,149**	**(1,149)**	**–**	**–**	**–**
Capitalisation issue *(Note 21(b))*	**3,671**	**(3,671)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Shares issued pursuant to the initial public offering *(Note 21(c))*	**1,224**	**102,788**	**–**	**–**	**–**	**–**	**–**	**104,012**	**–**	**104,012**
Share issuance costs *(Note 21(c))*	**–**	**(22,239)**	**–**	**–**	**–**	**–**	**–**	**(22,239)**	**–**	**(22,239)**
As at 31 December 2018	**4,895**	**231,878**	**(64,894)**	**31,021**	**5,500**	**7,285**	**85,525**	**301,210**	**70,668**	**371,878**

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2018
(All amounts expressed in RMB unless otherwise stated)

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flow from operating activities			
Cash generated from operations	*26*	**31,270**	42,289
Interest received		**631**	–
Income tax paid		**(12,167)**	(10,259)
Net cash generated from operating activities		**19,734**	32,030
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment		**414**	–
Purchases of property, plant and equipment		**(19,860)**	(11,831)
Purchases of intangible assets		**(208)**	(2,507)
Decrease/(increase) in amounts due from related parties		**68,948**	(66,406)
Increase in term deposits		**(1,773)**	–
Net cash generated from/(used in) investing activities		**47,521**	(80,744)
Cash flows from financing activities			
Proceeds from initial public offering of shares	*21(c)*	**104,012**	–
Professional expenses paid in connection with initial public of shares		**(13,903)**	–
Changes in amounts due to related parties		**–**	(1,898)
Net cash generated from/(used in) financing activities		**90,109**	(1,898)
Net increase/(decrease) in cash and cash equivalents		**157,364**	(50,612)
Cash and cash equivalents at beginning of the year		**19,391**	70,003
Cash and cash equivalents at end of the year	*20*	**176,755**	19,391

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

Tian Yuan Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 27 July 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company is an investment holding company and its subsidiaries (together referred to as the "Group") are principally engaged in provision of bulk and general cargo uploading and unloading services and related ancillary value-added port services in The People's Republic of China ("PRC"). The ultimate controlling shareholder of the Group is Mr. Yang Jinming (Mr. Yang or the "Controlling Shareholder").

On 1 June 2018, the Company has its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board on 23 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis.

(iii) New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2018:

Amendments to HKFRS 1	First time adoption of HKFRS
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Insurance contracts applying HKFRS 9 financial Instruments with HKFRS 4 insurance contracts
Amendments to HKAS 28	Investments in associates and joint ventures
Amendments to HKAS 40	Transfers of investment property
HK (IFRIC) 22	Foreign currency transactions and advance consideration
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers

The group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15. Save for the impact of adoption of HKFRS 9 and HKFRS 15 set out in Note 2.2(i), the adoption of other new and amended standards and interpretation did not have any material impact on the Group's financial statements.

(All amounts expressed in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(iv) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2018 and have not been early adopted by the Group are as follows:

		Effective for accounting periods beginning on or after
HK (IFRIC) 23	Uncertainty over income tax treatment	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 9 (Amendment)	Financial instruments on prepayment features with negative compensation	1 January 2019
HKAS 19 (Amendment)	Employee benefits on plan amendment, curtailment or settlement	1 January 2019
HKAS 28 (Amendment)	Long term interests in associates and joint ventures	1 January 2019
Annual improvements	2015–2017 cycle	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sales or contribution of assets between an investor and its associate or joint venture	To be determined

None of these new standards and amendments to standards and interpretations is expected to have a significant effect on the Group's financial statements, except for the following as set out below:

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB1,504,000 as disclosed in Note 28(b). However, the Directors do not expect the adoption of HKFRS 16 would result in significant impact on the Group's financial performance and positions except for the recognition of the right-of-use assets and corresponding lease liabilities arising from accounting for operating leases by the Group as a lessee.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Date of adoption by the Group

The standard is mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements and the new accounting policies as disclosed in Note 2.10 and Note 2.21 that have been applied from 1 January 2018, where they are different to those applied in prior years.

(i) Impact on financial statements

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognized in retained earnings as of 1 January 2018 and that comparatives have not be restated.

The following table shows the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

	Closing balance as at 31 December 2017 — HKAS 18	**Reclassify**	**Opening balance as at 1 January 2018 — HKFRS 15**
	RMB'000	RMB'000	**RMB'000**
Advances from customers	1,930	(1,930)	–
Contract liabilities	–	1,930	**1,930**

(ii) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Classification and measurement

There is no significant impact on the classification and measurement of its financial assets as the Group does not have:

— Debt instruments that are classified as available-for-sale financial assets;

— Debt instruments classified as held-to-maturity and measured at amortized cost;

— Equity investment measured at fair value through profit or loss.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, which are subject to HKFRS 9 and the Group does not have any such liabilities.

The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(ii) HKFRS 9 Financial Instruments — Impact of adoption *(Continued)*

Impairment

The Group's significant financial assets, which are subject to the new expected credit loss model, include trade receivables and other receivables. The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While term deposits with initial term over 3 months and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses which uses a lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables of the Group.

(iii) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

As a result of the changes in the Group's accounting policies, as explained below, except for the reclassification of the contract liabilities from advance from customers as detailed in Note 2.2(i), HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current year does not result in any impact on the amounts reported in the consolidated financial information and/or disclosures set out in the consolidated financial information except that, the Group has adopted the following accounting policies on revenues with effect from 1 January 2018.

2.3 Subsidiaries

2.3.1 Consolidations

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Non-controlling interests in group companies are present ownership interests and entitle their holders to a proportionate share of the group company's net assets in the event of liquidation. The Group recognizes any non-controlling interest in the group company on acquisition-by-acquisition basis, either at fair value or the present ownership interests' proportionate share in the recognized amounts of the group company's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Chinese Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within finance expenses. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other gains — net".

(All amounts expressed in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful life	Estimated residual value	Annual depreciation rate
Buildings	3–40 years	0–3%	2.43%–33.33%
Terminal facilities	2–40 years	0–3%	2.43%–50.00%
Loading equipment	3–20 years	3%	4.85%–32.33%
Storage facilities	14–30 years	3%	3.23%–6.93%
Office equipment	3–10 years	0–3%	9.70%–33.33%
Transportation equipment	4–20 years	3%	4.85%–24.25%
Leasehold improvements	10 years	0%	10.00%

Construction-in-progress mainly represents terminal facilities under construction and is stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction and acquisition of the assets.

No depreciation is provided for construction-in-progress until such time as the relevant assets are completed and ready for intended use. Construction-in-progress is transferred to relevant categories of property, plant and equipment upon the completion of their respective construction and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains — net" in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Prepaid operating leases

Prepaid operating leases represent prepaid operating lease payments for land less accumulated amortization and any impairment losses. Amortization is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the lease term of 40–70 years.

2.8 Intangible assets

Intangible assets represent the sea area use rights and computer software. Sea area use rights and computer software are stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration paid for the rights to use the sea areas and computer software for years of 50 years and 3 years. Amortization of sea area use rights and computer software are calculated on the straight-line method over the year of 50 years and 3 years, respectively.

2.9 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

(a) *Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(d) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(e) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

The Group classifies its financial assets as receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. The Group's receivables comprize "trade and other receivables", "amounts due from related parties" and "term deposits" and "cash and cash equivalents" in the consolidated balance sheets (Notes 17, 19, and 20).

Impairment

The Group assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Trade and other receivables and amounts due from related parties

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables and amounts due from related parties is expected in one year or less (or within the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and amounts due from related parties are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2.13 Contract assets and liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.14 Other asset

Other asset mainly includes diesel that will be consumed in the ordinary course of business, and is initially recognized at purchase price and subsequently recognized as expenses upon usage.

2.15 Cash and cash equivalents and term deposits

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits with initial terms of over three months are included in "term deposits" in the consolidated balance sheets.

Term deposits are excluded from cash and cash equivalents.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Other payables and accruals

Other payables and accruals are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.18 Current and deferred income tax

The tax expense for the year comprizes current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Employee benefits

(a) Pension obligations

Pursuant to the relevant regulations of the PRC Governments, all the subsidiaries of the Group that were established in the PRC (the "PRC Subsidiaries") have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the PRC Subsidiaries are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits of those employees of the Group. Contributions under the Scheme are charged to profit or loss as incurred.

(b) Bonus plan

Provisions for bonus plan due wholly within twelve months after the end of the reporting year is recognized where contractually obliged or where there is a past practice that has created a constructive obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.20 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Revenue and other income recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided, stated net of discounts and VATs ("value-added tax"). The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

The Group recognizes revenue at the amount of consideration to which the Group expects to be entitled when customers obtain control of relevant services.

At the beginning date of a contract, the Group should assess the contract to identify the individual contract obligations in the contract, and to confirm whether the individual contract obligations are to be satisfied over time or at a point in time and then recognize the revenue respectively when the individual contract obligations are satisfied.

The following businesses of the Group belong to contract obligations to be satisfied over time, and the corresponding revenue recognition methods are summarized as follows:

(a) Provision of services

Revenue from provision of uploading and unloading services is recognized when the services are rendered.

(b) Rental income

Rental income on assets leased out under operating leases is recognized on the straight-line basis over the lease period.

(c) Income from the provision of guarantee and pledging of assets as collaterals for certain banking facilities of the related party

Income from the provision of guarantee and pledging of assets as collaterals for certain banking facilities of a related party is recognized according to the monthly interest rate for time deposit of RMB for three months published by the Industrial and Commercial Bank of China and the aggregate amount of the banking facilities of the related party pledged by the group company.

The Group has applied HKFRS 15, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(d) Income from trading

Income from trading belongs to contract obligations to be satisfied at a point in time and the corresponding income is recognized when the control of goods is transferred to the buyer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Revenue and other income recognition *(Continued)*

***(d) Income from trading** (Continued)*

The Group distinguishes whether the Group is a principal or an agent in the transactions regarding whether the Group has the control of goods when transferring the goods to the customer. Provided that the Group has the control of goods before the transfer of the goods, it is acting as a principal and should recognize revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods transferred; otherwise it is acting as an agent and should recognize revenue in the amount of any fee or commission to which the Group expects to be entitled in exchange for arranging for the specified goods.

2.22 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated profit or loss over the year necessary to match them with the costs that they are intended to compensate.

2.23 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 10 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.24 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) The Group as lessee

Payments made under operating leases (net of any incentives received from the lessor) by the Group are charged to the profit or loss on a straight-line basis over the lease period.

(b) The Group as lessor

Assets leased out under operating leases by the Group are included in the Group's consolidated balance sheets in accordance with their nature and where applicable, and are depreciated in accordance with the Group's depreciation policy as set out in Note 2.6. Rental income arising from assets leased out under operating leases is recognized in accordance with the Group's revenue recognition policy as set out in Note 2.21(b) above.

2.26 Dividend distribution

Dividend distribution to the group company's shareholders is recognized as a liability in the Group's consolidated financial statements in the year in which the dividends are approved by the group company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the financial department under policies approved by the board of directors.

3.1.1 Market risk

(a) Foreign exchange risk

The Group operates in the PRC with most transactions being settled in RMB, which is the functional currency of the group companies, except for certain transactions which are settled in foreign currencies. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by close monitoring over the movement of the foreign currency rates.

Other than accruals of RMB559,000 and RMB4,549,000 as at 31 December 2018 and 2017 which were denominated in HK$ or USD and cash and cash equivalents of RMB9,803,000 and RMB71,000 as at 31 December 2018 and 2017 which were denominated in HK$, the Group had no other material foreign currency denominated assets and liabilities. As at 31 December 2018 and 2017, if RMB had weakened/strengthened by 5% against HK$ and USD with all other variables held constant, the post-tax profit for the year ended 31 December 2018 and 2017 would have been RMB460,000 and RMB224,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ or USD denominated financial assets and liabilities.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk (Continued)

(b) *Cash flow and fair value interest rate risk*

Other than deposits held in banks and term deposits which are interest bearing, the Group does not have other significant interest bearing assets and liabilities.

The annual interest rates of the Group's deposits held in banks throughout the years ended 31 December 2018 and 2017 ranged from 0.01% to 0.35%. Any changes in interest rates are not considered to have significant cash flow interest rate risk to the Group.

As at 31 December 2018, the annual interest rate of the Group's term deposits balance was 1.85% per annum. The maturity term of the term deposits are within six months so there would be no significant fair value interest rate risk to the Group.

3.1.2 Credit risk

The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, trade and other receivables and amounts due from related parties.

All of the Group's trade receivables, other receivables and amounts due from related parties have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

(i) *Cash and cash equivalents and term deposits*

As at 31 December 2018 and 2017, substantially all the Group's bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The Group's bank deposits as at 31 December 2018 and 2017 are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Big four commercial banks *(Note (i))*	**126,870**	19,188
Other listed banks	**51,639**	189
Other non-listed banks	**1**	—
	178,510	19,377

(i) Big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

(All amounts expressed in RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(ii) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group trade receivables mainly represents the trade receivables from customers and a related party for provision of uploading and unloading services and related ancillary value-added port services.

For the trade receivables from third parties and related parties, the counterparties primarily large corporation and has strong financial position and management considers the credit risk is not high. The Group maintains frequent communications with the counterparties. Management has closely monitored the credit qualities and the collectability of these receivables and consider that expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

Based on historical experience, majority of the trade receivables were settled within credit term, hence the expected loss rate of current trade receivables from provision of uploading and unloading services and related ancillary value-added port services are assessed as follows:

During the year ended 31 December 2018	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days
Expected loss rate	**0.1%**	**0.5%**	**1.5%**	**3%**

The loss allowance provision for these balances was not material as at 31 December 2018.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk *(Continued)*

(iii) Other receivables and non-trade receivables due from related parties

The directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the company's ability to meet its obligations;

- actual or expected significant changes in the operating results of the company;

- significant changes in the expected performance and behavior of the company, including changes in the payment status of the third party.

Regardless of the analysis above, the Group uses four categories for these receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 90 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(iii) Other receivables and non-trade receivables due from related parties (Continued)

As at 31 December 2018, management consider other receivables as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these receivables are immaterial under the 12 months expected losses method. Thus no loss allowance for these receivables was recognized.

3.1.3 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining years at the balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31 December	
	Less than 1 year	Less than 1 year
	2018	2017
	RMB'000	RMB'000
Other payables and accruals	**11,350**	11,294
	11,350	11,294

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to shareholders, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as borrowings less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the consolidated financial statements.

No gearing ratio is presented as the Group had no borrowings as at 31 December 2018 and 2017.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorized by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorized into three levels within a fair value hierarchy as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's financial assets include cash and cash equivalents, trade and other receivables and financial liabilities including other payables and accruals. Their carrying values approximated their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing this consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

(b) Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment, and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) Estimated impairment of receivables

For trade receivables (excluding non-financial assets), the Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which requires the use of the lifetime expected loss allowance for all trade receivables (excluding non-financial assets). The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, taking into account the aging of trade receivables, customers' repayment history, their current financial position as well as their expected operating results and ability to meet the obligation at the end of each reporting period. Management reassesses the provision at each balance sheet date.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the provision of bulk and general cargo uploading and unloading services and related ancillary value-added port services in the PRC. The executive directors of the Company review the operating results of the business on a terminal by terminal basis. Each terminal constitutes an operating segment. However, these terminals have been aggregated into one segment, taking into consideration of (i) the terminals have similar economic characteristics and regulatory environment, (ii) major revenue and operating profits are generated from the provision of uploading and unloading services; (iii) the Group as a whole, has unified internal organizational structure, management system and internal report system; and (iv) the Board allocates resources and evaluates performance of the operating segments in aggregation from Group consolidated level. Therefore, the executive directors of the Company regard that there is only one reportable segment which is used to make strategic decisions.

No geographical information is presented as all the revenue and operating profits of the Group are derived in the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risk and returns.

5 SEGMENT INFORMATION *(Continued)*

The revenue from external customers is mainly attributable to the PRC for the years ended 31 December 2018 and 2017. Revenue from major services provided to the external customers are as follows:

(a) The group derives revenue from the transfer of services over time as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue from provision of uploading and unloading services	**77,058**	77,886
Rental income	**5,335**	3,713
	82,393	81,599

Rental income are recognized proportionately over the lease term.

Revenue from transactions with external customers amounting to 10% or more of the Group's revenue are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Customer A	**8,948**	9,686

(b) Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	As at 31 December 2018 RMB'000
Contract liabilities related to uploading and unloading services	**339**
Contract liabilities related to rental services	**1,515**
	1,854

5 SEGMENT INFORMATION *(Continued)*

(b) Contract liabilities *(Continued)*

(i) Revenue recognized in relation to contract liabilities

The following table shows the amount of revenue recognized for the year ended 31 December 2018 relates to the carried-forward contract liabilities balance.

	Year ended 31 December 2018 RMB'000
Revenue recognized that was included in the contract liabilities balance at 1 January 2018	
Revenue from provision of uploading and unloading services	**197**
Rental income	**1,733**
	1,930

(ii) Unsatisfied contracts

The Group has adopted a practical expedient methodology omitting disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

6 OTHER INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Income from the provision of guarantee and pledging of assets as collaterals for certain banking facilities of a related party *(Note 29(b)(i))*	**699**	4,042
Commission income from trading and others	**362**	13
	1,061	4,055

7 OTHER GAINS — NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net foreign exchange gain	**992**	–
Gains on disposals of property, plant and equipment	**292**	–
Others	**35**	71
	1,319	71

8 EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Employee benefit expenses *(Note 9)*	**21,422**	16,153
Listing expenses	**12,570**	6,922
Depreciation of property, plant and equipment *(Note 14)*	**8,276**	7,870
Labour services fee	**4,450**	4,481
Repair and maintenance expenses	**1,931**	1,735
Business tax and other levies	**1,806**	982
Fuel expenditures	**1,597**	1,609
Amortization of prepaid operating leases *(Note 13)*	**1,590**	1,590
Electricity and water expenditures	**1,479**	1,492
Professional service expenses	**1,434**	–
Auditors' remuneration	**1,386**	125
Travelling expenses	**630**	576
Transportation costs	**616**	500
Operating lease rentals	**437**	170
Insurance costs	**413**	236
Production safety expenses	**384**	697
Amortization of intangible assets *(Note 15)*	**353**	337
Office expenses	**289**	327
Other expenses	**746**	1,162
Total cost of sales, selling and administrative expenses	**61,809**	46,964

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and bonuses	**17,781**	12,948
Contributions to pension plans	**1,931**	1,856
Welfare, medical and other expenses	**1,710**	1,349
	21,422	16,153

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 include two (2017: three) directors whose emoluments are reflected in the analysis presented below. The emoluments payable to the remaining three (2017: two) individuals during the year are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and bonuses	**959**	707
Contributions to pension plans	**36**	24
Welfare, medical and other expenses	**6**	–
	1,001	731

The emoluments of these individuals of the Group fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2018	2017
Emolument bands:		
Nil to HK$1,000,000	**3**	2

10 FINANCE INCOME

	Year ended 31 December	
	2018	2017
Interest income	**631**	–

11 INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

No provision for Hong Kong profits tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the years ended 31 December 2018 and 2017.

The income tax provision of the Group in respect of its operations in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2018 and 2017.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008. Under the CIT Law and the Implementation Rules of the CIT Law, the standard tax rate of the PRC entities was 25% during the years ended 31 December 2018 and 2017.

According to the CIT Law and the Implementation Rules, starting from 1 January 2008, a withholding tax of 10% is levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the relevant authorities of Mainland China and Hong Kong.

	Year ended 31 December	
	2018	2017
Current tax:		
Current tax on profits for the year	**10,513**	12,353
Deferred income tax:		
Decrease in deferred tax assets	**21**	–
	10,534	12,353

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the consolidated entities as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**23,595**	38,761
Calculated at applicable corporate income tax rate	**9,776**	11,622
Tax effects of:		
— Expenses not deductible for tax purpose	**485**	489
— Tax losses for which no deferred income tax asset was recognized	**252**	242
— Others	**21**	–
	10,534	12,353

12 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated on the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2018 and 2017.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**5,849**	19,244
Weighted average number of ordinary shares in issue (thousand shares)	**537,000**	450,000
Basic earnings per share (expressed in RMB)	**0.0109**	0.0428

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the years ended 31 December 2018 and 2017.

13 PREPAID OPERATING LEASES

The Group's prepaid operating leases represent the payments for land located in Maoming, the PRC, with lease terms of 40–70 years, which are analyzed as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of the year		
Cost	**59,003**	59,003
Accumulated amortization	**(13,295)**	(11,705)
Net book amount	**45,708**	47,298
Amortization during the year	**(1,590)**	(1,590)
Closing net book amount	**44,118**	45,708
At end of the year		
Cost	**59,003**	59,003
Accumulated amortization	**(14,885)**	(13,295)
Net book amount	**44,118**	45,708

Prepaid operating leases comprise cost of acquiring the rights to use certain land, which are all located in the PRC as self-use buildings and facilities over fixed years.

13 PREPAID OPERATING LEASES *(Continued)*

Amortization of the Group's prepaid operating leases has been charged to consolidated profit or loss as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**956**	956
Selling and administrative expenses	**634**	634
	1,590	1,590

As at 31 December 2017, certain land with carrying amount of RMB32,418,000 was pledged as collaterals for certain banking facilities of Maoming Tianyuan Trade Development Company Limited ("Maoming Tianyuan") (Note 29(b)(i)). The pledge was released during 2018.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Terminal facilities RMB'000	Loading equipment RMB'000	Storage facilities RMB'000	Office equipment RMB'000	Transportation equipment RMB'000	Leasehold improvements RMB'000	Construction-in-progress RMB'000	Total RMB'000
Year ended 31 December 2017									
Opening net book amount	11,330	79,105	26,841	6,023	525	608	328	3,929	128,689
Additions	–	332	588	–	200	6	–	6,884	8,010
Transfers	124	1,613	1,498	–	–	–	–	(3,235)	–
Depreciation charge	(598)	(4,250)	(2,304)	(310)	(203)	(171)	(34)	–	(7,870)
Closing net book amount	10,856	76,800	26,623	5,713	522	443	294	7,578	128,829
At 31 December 2017									
Cost	14,374	115,656	39,562	8,929	2,183	1,326	354	7,578	189,962
Accumulated depreciation	(3,518)	(38,856)	(12,939)	(3,216)	(1,661)	(883)	(60)	–	(61,133)
Net book amount	10,856	76,800	26,623	5,713	522	443	294	7,578	128,829
Year ended 31 December 2018									
Opening net book amount	**10,856**	**76,800**	**26,623**	**5,713**	**522**	**443**	**294**	**7,578**	**128,829**
Additions	**711**	**504**	**1,119**	**–**	**155**	**206**	**–**	**25,716**	**28,411**
Transfers	**758**	**1,850**	**1,824**	**–**	**–**	**–**	**–**	**(4,432)**	**–**
Disposals	**–**	**–**	**–**	**–**	**–**	**(122)**	**–**	**–**	**(122)**
Depreciation charge	**(667)**	**(4,423)**	**(2,552)**	**(310)**	**(219)**	**(103)**	**(2)**	**–**	**(8,276)**
Closing net book amount	**11,658**	**74,731**	**27,014**	**5,403**	**458**	**424**	**292**	**28,862**	**148,842**
At 31 December 2018									
Cost	**15,843**	**118,010**	**42,505**	**8,929**	**2,338**	**1,410**	**354**	**28,862**	**218,251**
Accumulated depreciation	**(4,185)**	**(43,279)**	**(15,491)**	**(3,526)**	**(1,880)**	**(986)**	**(62)**	**–**	**(69,409)**
Net book amount	**11,658**	**74,731**	**27,014**	**5,403**	**458**	**424**	**292**	**28,862**	**148,842**

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Depreciation expenses have been charged to the consolidated profit or loss as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**7,058**	6,638
Selling and administrative expenses	**1,218**	1,232
	8,276	7,870

(b) Construction-in-progress mainly comprizes terminal facilities under construction.

(c) As at 31 December 2018, the Group was in the process of applying for the ownership certificates of certain properties with an aggregate carrying value of approximately RMB2,056,000.

(d) As at 31 December 2018 and 2017, the costs of fully depreciated property, plant and equipment were RMB15,427,000 and RMB12,379,000, respectively.

(e) As at 31 December 2018 and 2017, property, plant and equipment with carrying amounts of nil and RMB107,499,000 were pledged as collaterals for certain banking facilities of Maoming Tianyuan (Note 29(b)(i)).

15 INTANGIBLE ASSETS

	Sea area use rights RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2017			
Opening net book amount	7,480	162	7,642
Additions	2,506	1	2,507
Amortization charge	(283)	(54)	(337)
Closing net book amount	9,703	109	9,812
At 31 December 2017			
Cost	12,271	231	12,502
Accumulated amortization	(2,568)	(122)	(2,690)
Net book amount	9,703	109	9,812
Year ended 31 December 2018			
Opening net book amount	**9,703**	**109**	**9,812**
Additions	**–**	**208**	**208**
Amortization charge	**(283)**	**(70)**	**(353)**
Closing net book amount	**9,420**	**247**	**9,667**
At 31 December 2018			
Cost	**12,271**	**439**	**12,710**
Accumulated amortization	**(2,851)**	**(192)**	**(3,043)**
Net book amount	**9,420**	**247**	**9,667**

(a) Amortization expenses have been charged to the consolidated profit or loss as follows:

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cost of sales	**283**	283
Selling and administrative expenses	**70**	54
	353	337

(b) As at 31 December 2018 and 2017, sea area use rights with carrying amounts of nil and RMB6,578,000 were pledged as collaterals for certain banking facilities of Maoming Tianyuan (Note 29(b)(i)).

16 DEFERRED INCOME TAX

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred tax assets:		
— to be recovered within 12 months	**–**	21
Deferred tax liabilities:		
— to be recovered after more than 12 months	**(308)**	(308)
Deferred tax liabilities — net	**(308)**	(287)

Deferred tax assets and liabilities are set off when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The movements in deferred income tax assets and liabilities during the years ended 31 December 2018 and 2017 are set as follows:

	Deferred tax assets	**Deferred tax liabilities**
	Timing difference on accrued expenses	**Timing difference on construction in progress**
	RMB'000	**RMB'000**
As at 1 January 2017 and 31 December 2017	21	(308)
Charged to profit or loss	(21)	–
As at 31 December 2018	**–**	**(308)**

The Group did not recognize deferred income tax assets of RMB809,000 and RMB557,000 in respect of tax losses amounting to RMB4,535,000 and RMB3,111,000 as at 31 December 2018 and 2017 that can be carried forward against future taxable income, respectively. Losses amounting to RMB203,000 and RMB180,000 will expire in 2024 and 2023 respectively.

As at 31 December 2018 and 2017, the Group had unrecognized deferred income tax liabilities of RMB10,068,500 and RMB7,832,000 respectively that would otherwise be payable as withholding tax in respect of the undistributed profits of the Group's PRC subsidiaries. No provision has been made in respect of such withholding tax as the Directors have confirmed that such profits will not be distributed out of the PRC in the foreseeable future.

17 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables	**8,998**	7,070
Less: allowance for impairment of trade receivables	**–**	–
Trade receivables — net	**8,998**	7,070
VAT recoverable	**2,660**	243
Note receivables — third parties	**1,877**	9,050
Other receivables — third parties	**619**	611
	14,154	16,974
Amounts due from related parties (Note 29(d))	**149**	68,948

(a) The credit terms of trade receivables are generally within 30 to 120 days. Ageing analysis of trade receivables based on invoice date at respective balance sheet dates are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Less than 30 days	**5,403**	6,227
31 to 60 days	**835**	843
61 to 90 days	**1,490**	–
91 to 180 days	**1,270**	–
	8,998	7,070

(b) The Group's trade and other receivables and amounts due from related parties at respective balance sheet dates are denominated in RMB.

17 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM RELATED PARTIES *(Continued)*

(c) As at 31 December 2018 and 2017, the Group's maximum exposure to credit risk was the carrying value of each class of trade and other receivables and amounts due from related parties mentioned above. The Group does not hold any collateral as security.

(d) As at 31 December 2018 and 2017, the fair values of trade and other receivables and amounts due from related parties approximate their carrying amounts due to their short-term maturities.

18 PREPAYMENTS AND OTHER ASSETS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Prepayments for electricity and other expenses	**1,276**	977
Prepayments for construction and acquisition of property, plant and equipment	**105**	3,300
Prepaid listing expenses	**–**	8,336
	1,381	12,613
Less: non-current portion of prepayments	**(105)**	(3,300)
Current portion of prepayments and other assets	**1,276**	9,313

19 TERM DEPOSITS

As at 31 December 2018, the initial terms of the Group's term deposits were six months. The annual interest rates of the Group's term deposits held in banks throughout the year ended 31 December 2018 ranged from 1.3% to 1.85% per annum (2017: nil).

20 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Cash on hand	**18**	14
Cash at banks	**176,737**	19,377
Total cash and cash equivalents	**176,755**	19,391

The Group's cash and cash equivalents were denominated in following currencies:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**168,725**	19,320
HK$	**8,030**	71
	176,755	19,391

(a) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

(b) As at 31 December 2018 and 2017, the Group's maximum exposure to credit risk was the carrying value of cash at banks mentioned above.

21 SHARE CAPITAL AND SHARE PREMIUM

	Share capital			
	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
Authorized shares of HK$0.01 each:				
As at 27 July 2015 and 31 December 2017	38,000,000	380	300	
Increase in authorized share capital *(Note (a))*	3,962,000,000	39,620	32,186	
As at 31 December 2018	**4,000,000,000**	**40,000**	**32,486**	
Issued and fully paid up:				
As at 1 January 2017 and 31 December 2017	100	–	–	–
Capital paid up by the owners of the Company at 1 January 2017 and 31 December 2017	–	–	–	155,000
Capitalisation issue *(Note (b))*	449,999,900	4,500	3,671	(3,671)
Issue of new shares pursuant to the initial public offering *(Note (c))*	150,000,000	1,500	1,224	102,788
Share issuance costs *(Note (c))*	–	–	–	(22,239)
As at 31 December 2018	**600,000,000**	**6,000**	**4,895**	**231,878**

(a) Pursuant to the Shareholders' resolutions passed on 10 May 2018, the authorized share capital of the Company was increased from HK$380,000 to HK$40,000,000 by creation of an additional 3,962,000,000 ordinary shares of a par value of HK$0.01 each, ranking pari passu in all respect with the existing shares of the Company.

(b) Pursuant to the resolutions of the Shareholders passed on 10 May 2018, the Company allotted and issued a total of 449,999,900 shares credited as fully paid at par to the existing Shareholders in proportion to their respective shareholdings by way of capitalisation of the sum of HK$4,500,000 standing to the credit of the share premium account of the Company.

(c) In connection with the initial public offering of the Company, 150,000,000 ordinary shares at par value of HK$0.01 each were issued at HK$0.85 each for a total consideration of RMB104,012,000 in aggregate (without deducting share issuance costs) on 1 June 2018. Share issuance costs of RMB22,239,000 that were directly attributable to the issuance of ordinary shares in connection with the initial public offering were treated as a deduction from share premium.

22 OTHER RESERVES

(a) Other capital reserves

Other capital reserves represents i) the difference between the consideration paid and the aggregate paid-in capital of the acquisitions of the Zhengyuan Terminal and Tianyuan Terminal of RMB38,500,000 during the reorganization; ii) deemed distributions to the Controlling Shareholder of the unremitted net revenue proceeds amounting to RMB26,394,000 during the reorganization.

(b) Capital surplus

Capital surplus as at each balance sheet date represents the difference between the capital contributed by the then shareholders of the group companies and registered capital of these companies upon their incorporation. Upon approval from the board of directors of these group companies, capital surplus can be used to increase the group company's capital.

(c) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of those group companies incorporated in the PRC, the group companies are required to appropriate 10% of their profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises and other regulations applicable to group companies, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the group companies. The appropriation to the reserve must be made before any distribution of dividends to holders of the group companies. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalized as the group companies' capital provided that the amount of such reserve remaining after the capitalization shall not be less than 25% of the registered capital of the group companies.

(d) Production safety reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside certain percentage of the total revenue generated from terminal operations during the years ended 31 December 2018 and 2017. The reserve can be utilized for improvements of safety on the terminal operations, and the amounts are considered expenses in nature and charged to the consolidated profit or loss as incurred.

(All amounts expressed in RMB unless otherwise stated)

23 SUBSIDIARIES

The investments in subsidiaries are stated at cost, less impairment if any. The following sets out the details of the principal subsidiaries of the Company as at 31 December 2018:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Registered and paid-up capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2018	2017	**2018**	2017
Directly held:							
Mao Long Global Limited	the British Virgin Islands ("BVI"), limited liability	Investment holding in BVI	US$1	**100%**	100%	**–**	–
Indirectly held:							
Tianyuan Terminal (i)	PRC, limited liability	Provision of bulk and general cargo uploading and unloading services and related ancillary services in the PRC	RMB10,000,000	**60%**	60%	**40%**	40%
Zhengyuan Terminal (i)	PRC, limited liability	Provision of bulk and general cargo uploading and unloading services and related ancillary services in the PRC	RMB5,000,000	**100%**	100%	**–**	–
Jin Yuan Group Management Limited	Hong Kong, limited liability	Investment holding in Hong Kong	HK$1	**100%**	100%	**–**	–
Maoming Jinyuan Company Limited (i)	PRC, limited liability	Investment holding in the PRC	RMB155,000,000	**100%**	100%	**–**	–

(i) Significant restrictions

As at 31 December 2018, cash and cash equivalents of RMB168,662,000 (31 December 2017: RMB19,317,000) these subsidiaries were held in PRC and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on repatriating capital from the PRC, other than through normal dividends.

23 SUBSIDIARIES *(Continued)*

(a) Non-controlling interests

Non-controlling interests as at 31 December 2018 and 2017 were related to Tianyuan Terminal.

Summarized financial statements of the subsidiary with material non-controlling interests

Set out below are the summarized financial statements of the subsidiary with material non-controlling interests.

Summarized balance sheets

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Assets		
Non-current assets	**91,015**	91,009
Current assets	**92,984**	75,602
Total assets	**183,999**	166,611
Liabilities		
Current liabilities	**7,329**	7,972
Total liabilities	**7,329**	7,972
Net assets	**176,670**	158,639

Summarized statements of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**53,327**	50,306
Profit before income tax	**24,147**	23,982
Income tax expense	**(6,116)**	(6,072)
Profit and total comprehensive income for the year	**18,031**	17,910
Profit and total comprehensive income allocated to non-controlling interests	**7,212**	7,164
Dividends paid to non-controlling interests	**–**	–

23 SUBSIDIARIES *(Continued)*

(a) Non-controlling interests *(Continued)*

Summarized cash flow statements

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net cash generated from operating activities	**26,961**	20,412
Net cash used in investing activities	**(9,042)**	(60,149)
Net cash generated from financing activities	**–**	–
Net increase/(decrease) in cash and cash equivalents	**17,919**	(39,737)
Cash and cash equivalents at beginning of year	**6,692**	46,429
Cash and cash equivalents at end of year	**24,611**	6,692

The information above is the amount before inter-company eliminations.

24 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Accrual for construction of Zhengyuan Terminal and acquisition of Property and equipment	**6,282**	–
Accrual for staff costs and allowances	**5,074**	3,873
Other payables and accruals	**5,068**	4,498
Other tax payables	**839**	657
Accrual for listing expenses	**–**	6,796
Total	**17,263**	15,824

(a) Other than accruals of the Group of RMB599,000 and RMB4,549,000 as at 31 December 2018 and 2017 which was denominated in HK$ or USD, all other payables and accruals were denominated in RMB.

(b) As at 31 December 2018 and 2017, the fair values of other payables and accruals and approximate their carrying amounts due to their short-term maturities.

25 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2018 (31 December 2017: nil).

A dividend in respect of the year ended 31 December 2018 of RMB0.013 per share, amounting to a total dividend of RMB7,800,000, is to be proposed at the annual general meeting to be held on 23 May 2019. These financial statements do not reflect this dividend payable.

(a) Dividends not recognized at the end of the reporting years

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Proposed final dividend of RMB0.013 (2017: nil) per ordinary share	**7,800**	–

26 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**23,595**	38,761
Adjustments for:		
— Depreciation	**8,276**	7,870
— Amortization of prepaid operating leases	**1,590**	1,590
— Amortization of intangible assets	**353**	337
— Gains from disposal of property, plant and equipment	**(292)**	–
— Finance income	**(631)**	–
Changes in working capital:		
— Trade and other receivables	**2,820**	(4,270)
— Amounts due from related parties	**(8,485)**	(2,016)
— Prepayments and other assets	**8,037**	(2,361)
— Other payables and accruals	**(3,917)**	1,223
— Advances from customers	**–**	1,155
— Contract liabilities	**(76)**	–
Cash generated from operations	**31,270**	42,289

27 CONTINGENCIES

As at 31 December 2017, the Group had certain pledged assets including certain land use rights with carrying amount of RMB32,418,000, property, plant and equipments with carrying amount of RMB107,499,000 and sea area use rights with carrying amount of RMB6,578,000 (disclosed in Note 29(b)(i)).All the pledged assets were released during the year ended 31 December 2018.

28 COMMITMENTS

(a) Capital commitments

As at 31 December 2018 and 2017, the Group had the following capital commitments on construction and acquisition of property,plant and equipment:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Contracted but not provided for	**9,075**	25,058
Authorized but not contracted for	**26,960**	30,766
	36,035	55,824

(b) Operating lease commitments — as lessee

The Group leases offices under non-cancellable operating lease agreements. The lease terms are between 3 and 10 years, and one of them is entered into with related party and renewable at the end of the lease period at market rate.

	As at 31 December 2018	As at 31 December 2017
	RMB'000	RMB'000
No more than 1 year	**519**	98
More than 1 year but no more than 5 years	**813**	392
More than 5 years	**172**	270
	1,504	760

29 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Mr. Yang	Controlling Shareholder
Maoming Tianyuan	Former holding company of Tianyuan Terminal and Zhengyuan Terminal
Maoming Tianyuan Petrochemical Co., Ltd. ("Tianyuan Petrochemical")	Controlled by Mr. Yang

(b) Significant transactions with related parties

The Group had the following significant transactions with related parties:

(i) Provision of guarantee and pledging of assets as collaterals

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Income from provision of guarantee and pledging of assets as collaterals for certain banking facilities of Maoming Tianyuan	**699**	4,042

During the years ended 31 December 2018 and 2017, the Group pledged certain land use rights, property, plant and equipment and intangible assets as collaterals. During the year ended 31 December 2017, the Group also provided a corporate guarantee for certain banking facilities of Maoming Tianyuan. In return, the Controlling Shareholder agreed to pay a compensation for the provision of guarantee and pledging of assets of RMB699,000 and RMB4,042,000 to the Group for the respective years ended 31 December 2018 and 2017. The corporate guarantee was lapsed in Octorber 2017 and all the pledges were released during the year ended 31 December 2018.

In the opinion of the directors, these transactions were carried out on terms agreed with the related parties in the ordinary course of business of the Group.

(ii) The Controlling Shareholder leased an office for a subsidiary of the Group as registered office. Before the listing of the Company, the Controlling Shareholder did not change any rental and thereafter, commenced to receive a monthly rent of HK$40,000 till December 2020.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Rental expenses	**245**	–

29 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties *(Continued)*

(iii) Provision of uploading and unloading services with a related party

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue from provision of uploading and unloading services to Tianyuan Petrochemical	**140**	–

(iv) Listing expenses paid on behalf of the Group

During the years ended 31 December 2018 and 2017, listing expenses of RMB5,361,000 and RMB7,684,000 were settled by related parties on behalf of the Group. During the years ended 31 December 2018 and 2017, RMB6,489,000 and RMB9,056,000 was paid by the Group back to related parties in settling those listing expenses.

(c) Key management compensations

Key management compensation for the years ended 31 December 2018 and 2017, other than those relating to the emoluments of directors being disclosed in Note 31(a), are set out below:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and bonuses	**1,092**	950
Contributions to pension plans	**44**	44
Welfare, medical and other expenses	**6**	6
	1,142	1,000

(d) Balances with related parties

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Amounts due from related parties		
— Tianyuan Petrochemical	**149**	–
— Maoming Tianyuan	**–**	68,948
	149	68,948

The amounts due from related parties are unsecured, interest-free and receivable on demand.

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Non-current asset		
Interest in a subsidiary	**187,108**	187,108
Amounts due from subsidiaries	**31,713**	–
	218,821	187,108
Current assets		
Prepayments	**284**	8,336
Term deposits	**1,773**	–
Cash and cash equivalents	**7,762**	2
	9,819	8,338
Total assets	**228,640**	195,446
EQUITY		
Equity attributable to owners of the Company		
Share capital (a)	**4,895**	–
share premium (a)	**231,878**	155,000
Other reserve (a)	**32,108**	32,108
Accumulated losses (a)	**(42,465)**	(27,370)
Total equity	**226,416**	159,738
CURRENT LIABILITIES		
Other payables and accruals	**2,224**	7,680
Amounts due to subsidiaries	**–**	28,028
	2,224	35,708
Total liabilities	**2,224**	35,708
Total equity and liabilities	**228,640**	195,446

The balance sheet of the Company was approved by the Board of Directors on 23 March 2019 and was signed on its behalf.

Yang Jinming	**Su Baihan**
Director	*Director*

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Reserve movement of the Company

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
As at 1 January 2017	–	155,000	32,108	(20,059)	167,049
Loss for the year	–	–	–	(7,311)	(7,311)
As at 31 December 2017	–	155,000	32,108	(27,370)	159,738
As at 1 January 2018	**–**	**155,000**	**32,108**	**(27,370)**	**159,738**
Loss for the year	**–**	**–**	**–**	**(15,095)**	**(15,095)**
Capitalisation issue *(Note 21(b))*	**3,671**	**(3,671)**	**–**	**–**	**–**
Shares issued pursuant to the initial public offering *(Note 21(c))*	**1,224**	**102,788**	**–**	**–**	**104,012**
Share issuance costs *(Note 21(c))*	**–**	**(22,239)**	**–**	**–**	**(22,239)**
As at 31 December 2018	**4,895**	**231,878**	**32,108**	**(42,465)**	**226,416**

31 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2018:

	Fees RMB'000	Salaries RMB'000	Employer's contribution to a retirement benefit scheme and other benefits RMB'000	Housing funds RMB'000	Total RMB'000
Executive directors					
Mr. Yang (i)	–	517	9	–	526
Ms. Tong Wai Man (ii)	–	570	16	–	586
Mr. Su Baihan (ii)	–	137	–	–	137
Non-executive director					
Mr. Yang Fan	–	74	–	–	74
Independent non-executive directors					
Mr. Pang Hon Chung (iii)	74	–	–	–	74
Professor Wu Jinwen (iii)	61	–	–	–	61
Mr. Huang Yaohui (iii)	74	–	–	–	74
	209	1,298	25	–	1,532

31 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2017:

	Fees RMB'000	Salaries RMB'000	Employer's contribution to a retirement benefit scheme and other benefits RMB'000	Housing funds RMB'000	Total RMB'000
Executive directors					
Mr. Yang	–	240	–	–	240
Ms. Tong Wai Man	–	520	16	–	536
Mr. Su Baihan	–	64	88	–	152
	–	824	104	–	928

(i) Mr. Yang is the chairman of the Board and the chief executive officer of the Group, and was appointed as the Company's executive director on 21 September 2015.

(ii) Ms. Tong Wai Man and Mr. Su Baihan were appointed as the Company's executive directors on 21 September 2015.

(iii) Mr. Pang Hon Chung, Professor Wu Jinwen and Mr. Huang Yaohui were appointed as the Company's independent non-executive directors on 10 May 2018.

(iv) During the year, no emolument was paid by the Group to any of the above directors as an inducement to join, upon join the Group, leave the Group or as compensation for loss of office (2017:nil).

(v) During the year, none of the directors of the Company waived their emoluments nor has agreed to waive their emoluments (2017: nil).

(b) Directors' retirement benefits

No retirement benefits or were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings during the year (2017:nil).

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2017: nil).

31 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(d) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company during the year (2017: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled body corporate by and connected entities with such directors

Other than those disclosed in Note 29(d), there are no loans, quasi-loans and other dealings in favour of directors, controlled body corporate by and connected entities with such directors during the year (2017: the same).

(f) Directors' material interests in transactions, arrangements or contracts

As at 31 December 2018, other than those disclosed in Note 29(b), no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FOUR YEAR FINANCIAL SUMMARY

The financial summary of the Group for each of the three years ended 31 December 2015, 2016 and 2017 has been extracted from the Prospectus. No financial statements of the Group for the year ended 31 December 2014 have been published.

	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**82,393**	81,599	73,697	71,188
Profit attributable to owners of the Company	**5,849**	19,244	12,392	7,481
Total assets	**396,839**	302,296	273,309	259,001
Total liabilities	**24,961**	25,252	22,673	27,039
Total equity	**371,878**	277,044	250,636	231,962
Non-controlling interests	**70,668**	63,456	56,292	50,010