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**


# 2019 ANNUAL REPORT

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TIAN YUAN GROUP HOLDINGS LIMITED
ANNUAL REPORT 2019

# 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

## PRINCIPAL SHARE REGISTRAR

Ocorian 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 54, 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 and*
*Registered PIE Auditor*
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 annual report of the Group for the year ended 31 December 2019 (the "Reporting Year").

As a well-known terminal operator and one of leading bulk cargo handlers 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. The Group has engaged in supply and sales of oil products during the Reporting Year.

For the year ended 31 December 2019, due to revenue generated from sales of oil products, the Group recorded a higher revenue of approximately RMB124.7 million, representing an increase of approximately 51.4% compared to that for the year ended 31 December 2018. Profit attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB14.5 million, representing an increase of approximately 147.1% compared to that for the year ended 31 December 2018.

The construction of new phase of Zhengyuan Terminal has been completed and the testing and trial period has commenced during the year, it is expected to be a major driving force for the potential growth in the Group's cargo throughput in the future.

In addition to the supply and sales of oil products, the Group may further explore new business opportunities aiming to enhance its performance and improve the return on equity. During the Reporting Year, the Company has announced that the Group may enter into a joint venture agreement to form a joint venture company which is expected to engage in the businesses of international energy trading, petrochemical trading and the investment in warehousing facilities located in the PRC. We will continue to strive for maximising the Shareholders' return and the long-term sustainable development 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.

**Yang Jinming**
*Chairman and Chief Executive Officer*

Hong Kong, 26 March 2020

## BUSINESS REVIEW

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

Our principal activities 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 2019, 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;

(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; and

(iii) Supply and sales of oil products.

To meet increasing requirements and expectations on production safety standards, the Group has lifted its attention to balance between achieving higher production safety standards and utilisation rate. During the year ended 31 December 2019, the Group achieved a total cargo throughput of approximately 3,968 thousand tonnes, representing a slight increase of approximately 27 thousand tonnes or approximately 0.7% from approximately 3,941 thousand tonnes for the year ended 31 December 2018. The major types of cargos handled by the Group during the Reporting Year were by and large the same as those for the year ended 31 December 2018. During the Reporting Year, the Group has also introduced new cargo types including steel, iron ore powder and palm kernel.

The average selling price of the cargo handling fees of the Group remained stable for the year ended 31 December 2019 compared to that for the year ended 31 December 2018.

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 certain new customers.

The testing and trial run period of the new phase of Zhengyuan Terminal has been extended as certain terminal facilities and loading equipment are not yet available. The testing and trial run period is expected to finish in the year ending 31 December 2020.

During the Reporting Year, revenue generated from the sales of oil products has contributed to approximately 29.7% of the total revenue and represented an important revenue stream for the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

**Revenue**

For the year ended 31 December 2019, the revenue was approximately RMB124.7 million, representing an increase of approximately 51.4% compared to approximately RMB82.4 million for the year ended 31 December 2018. The increase in revenue was primarily attributable to the revenue of approximately RMB37.0 million generated from sales of oil products for the Reporting Year.

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2019** | 2018 | **Changes** | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| Revenue from provision of uploading and unloading services | **81,017** | 77,058 | 3,959 | 5.1 |
| Revenue from sales of oil products | **37,004** | — | 37,004 | N/A |
| Rental income | **5,091** | 5,335 | (244) | (4.6) |
| Service income | **1,612** | — | 1,612 | N/A |
| | **124,724** | 82,393 | 42,331 | 51.4 |

For the year ended 31 December 2019, our revenue from uploading and unloading services increased by approximately 5.1% compared to that for the year ended 31 December 2018 to approximately RMB81.0 million. The increase in the revenue from uploading and unloading services was mainly attributable to an increase in revenue generated from handling asphalt, coal and others, which was partially offset by a decrease in the revenue generated from handling grains and quartz sand.

For the year ended 31 December 2019, our rental income decreased by approximately 4.6% compared to that for the year ended 31 December 2018 to approximately RMB5.1 million. The decrease in the rental income was primarily due to the fact that some of the Group's oil tanks were used as a storage for inventories and not leased out in the second half of 2019.

For the year ended 31 December 2019, the Group has received service income for products sourcing of approximately RMB1.6 million.

**Cost of sales**

Our cost of sales increased by approximately 121.1% from approximately RMB34.3 million for the year ended 31 December 2018 to approximately RMB75.7 million for the year ended 31 December 2019. This was primarily attributable to the cost of goods sold of approximately RMB36.0 million recorded for the sales of oil products during the Reporting Year. The increase was also driven by an increase in employee benefit expenses due to an increase in headcount and salaries and an increase in depreciation of property, plant and equipment mainly resulted from additional depreciation of the new phase of Zhengyuan Terminal as well as an increase in production safety expenses arising from the non-recurring compensations paid for removal of fishing boats and factory near the Group's terminals.

**Gross Profit and Gross Profit Margin**

The Group's overall gross profit increased by approximately 1.8% from approximately RMB48.1 million for the year ended 31 December 2018 to approximately RMB49.0 million for the year ended 31 December 2019.

The increase in gross profit was mainly due to an increase in revenue contributed by the sales of oil products and service income.

However, the overall gross profit margin decreased from approximately 58.4% for the year ended 31 December 2018 to approximately 39.3% for the year ended 31 December 2019.

The gross profit margin of the cargo handling and ancillary services segment was approximately 53.8% for the year ended 31 December 2019 compared to approximately 58.4% for the year ended 31 December 2018. The decrease was mainly due to an increase in employee benefit expenses, depreciation of property, plant and equipment and production safety expenses of the cost of sales as mentioned above.

The gross profit margin of the sales of oil products segment recorded for the year ended 31 December 2019 was approximately 6.8%.

**Other Income and Other Gains — Net**

For the year ended 31 December 2018, 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 year ended 31 December 2018, we recorded an aggregate guarantee fee of approximately RMB699,000, 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 2019, other gains — net of approximately RMB263,000 (for the year ended 31 December 2018: approximately RMB1.3 million) consisted mainly of gains on additional deduction of value-added tax.

**Finance Costs/Income — Net**

For the year ended 31 December 2019, the Group's net finance costs of approximately RMB1.5 million consisted mainly of interest expenses for bank borrowings and lease liabilities (for the year ended 31 December 2018: net finance income: approximately RMB631,000).

**Selling and Administrative Expenses**

Selling and administrative expenses decreased from approximately RMB27.5 million for the year ended 31 December 2018 to approximately RMB16.4 million for the year ended 31 December 2019, mainly attributable to no listing expenses incurred for the Reporting Year compared to listing expenses of approximately RMB12.6 million charged to administrative expenses for the year ended 31 December 2018. If listing expenses were excluded, the increase in administrative expenses was mainly due to an increase in employee benefits expenses resulted mainly from an increase in the payment of Directors' remuneration due to its first full year impact recognised for the Reporting Year and an increase in professional service fees.

**Income Tax Expense**

The Group's income tax expense decreased by approximately 6.7% from approximately RMB10.5 million for the year ended 31 December 2018 to approximately RMB9.8 million for the year ended 31 December 2019. The decrease was primarily attributable to a lower taxable profit recorded for the Reporting Year compared to that for the year ended 31 December 2018.

**Profit Attributable to Owners of the Company**

For the year ended 31 December 2019, the Group's profit attributable to owners of the Company was approximately RMB14.5 million (for the year ended 31 December 2018: approximately RMB5.8 million). If the one-off listing expenses of approximately RMB12.6 million charged to the administrative expenses for the year ended 31 December 2018 was excluded, the profit attributable to owners of the Company would be of approximately RMB18.4 million for the year ended 31 December 2018. The decrease of approximately 21.5% in the Group's profit attributable to owners of the Company for the Reporting Year compared to that for 2018 was mainly due to (i) a decrease in gross profit margin of the cargo handling and ancillary services segment 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 RMB144.4 million as at 31 December 2019, while the net current assets as at 31 December 2018 was approximately RMB169.5 million.

***Borrowings and Gearing Ratio***

The Group's interest-bearing borrowings were approximately RMB20.0 million as at 31 December 2019 (as at 31 December 2018: Nil). The interest-bearing borrowings are expected to facilitate the development of the Group's trade business and the investment to form a proposed joint venture, which is expected to engage in the businesses of international energy trading, petrochemical trading and the investment in warehousing facilities located in Zhanjiang, the PRC. The Group's interest-bearing borrowings were mainly denominated in Renminbi ("RMB"). The Group's interest-bearing borrowings of approximately RMB20.0 million were repayable within 1 year. The gearing ratio (defined as total debt divided by total equity) was approximately 5.9% as at 31 December 2019 (as at 31 December 2018: 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 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**

Save for the proposed formation of a joint venture as disclosed in the announcement of the Company dated 11 June 2019, there were no significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group for the year ended 31 December 2019 (for the year ended 31 December 2018: Nil).

**Pledge of Assets and Contingent Liabilities**

As at 31 December 2019, the Group had certain pledged assets including certain right-of-use assets and property, plant and equipment with the aggregated carrying amount of RMB117.9 million as collateral for certain banking facilities of the Group granted by a PRC bank (as at 31 December 2018: Nil).

**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 or United States 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 2018: Same).

**Human Resources and Remuneration**

As at 31 December 2019, the Group employed 233 employees (as at 31 December 2018: 222 employees) with total staff costs of approximately RMB24.0 million incurred for the year ended 31 December 2019 (for the year ended 31 December 2018: approximately RMB21.4 million). The increase of staff costs of the Group was mainly due to an increase in number of employee and salaries as well as an increase in the payment of Directors' remuneration for the year ended 31 December 2019 compared to that for the year ended 31 December 2018. The Group's remuneration packages are generally structured with reference to market terms and individual merits.

**Update on the application process for the state-owned land use right certificate**

As disclosed in the announcement of the Company dated 3 May 2019, Tianyuan is still in the process of applying for the state-owned land use right certificate for such parcel of land. Tianyuan was informed by the relevant authority that the application is still pending for approval and the process takes more time as there is insufficient record of this parcel of land being kept by the authority, and the processing timeline is still uncertain. Despite of the above, it does not have any impact on our business operation as the Company is not using it for its terminal business and the said parcel of land had made no attributable revenue to the Company during the Track Record Period (as defined in the Prospectus) up to the date of this Annual Report. The Company will make announcement(s) on further progress in connection with the above, as and when appropriate.

**Use of Net Proceeds from the Listing**

The shares of the Company were listed on the Main Board of the Stock Exchange (the "Listing") on 1 June 2018 (the "Listing Date") 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 2019 as follows:

| | Planned use of proceeds RMB'000 | Approximately percentage of net proceeds % | Actual use of proceeds from the Listing Date to 31 December 2019 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% | 32,366 |
| Working capital and other general corporate purposes | 4,072 | 10% | 4,072 |
| **Total** | **40,716** | **100%** | **36,438** |

**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 2019.

**Final Dividend**

The Board has proposed a final dividend of RMB0.032 per ordinary share for the year ended 31 December 2019, amounted to RMB19.2 million based on 600,000,000 shares in issue as at 31 December 2019.

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 Monday, 15 June 2020 (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 Wednesday, 24 June 2020.

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 26 March 2020, which is RMB1 to HK$1.09506. Each Eligible Shareholder will receive a dividend of HK$0.03504 per ordinary share.

**Annual General Meeting**

The annual general meeting (the "AGM") of the Company is scheduled to be held on Friday, 5 June 2020 (the "2020 AGM"). A notice convening the 2020 AGM will be published on the websites of The Stock Exchange of Hong Kong Limited (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 2020 AGM, the register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020, 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 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 1 June 2020.

***In relation to the Proposed Final Dividend***

Subject to approval by the Shareholders in the 2020 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 Thursday, 11 June 2020 to Monday, 15 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 10 June 2020.

**Capital Commitments**

As at 31 December 2019, the Group had capital commitments for construction and acquisition of property, plant and equipment amounting to approximately RMB16.9 million (as at 31 December 2018: approximately RMB36.0 million).

## OUTLOOK AND PROSPECTS

In light of the recent Coronavirus Disease 2019 ("COVID-19") outbreak, the Chinese economy has been facing downward pressure and domestic demand is expected to be affected in the short term.

Under such challenging circumstances, the Group will be diligent to improve the operational efficiency of the terminals by upgrading terminal facilities and streamlining the processes; concentrate on broadening its cargo sources and diversifying the cargo varieties, enhance the ancillary valued-added port services as well as strengthen the relationship with our customers. The Group will continue to maintain and promote its high standards in respect of production safety, environmental protection and good hygiene environment.

The supply and sales of oil products is expected to be a growth momentum of the Group's revenue and one of the important revenue streams in the future, while its business strategies will be adjusted timely in response to the market trends and development.

The Group may explore to further diversify its businesses to other areas including international energy trading, petrochemical trading and the investment in warehousing facilities located in the PRC to broaden its revenue streams and improve the return on equity.

## EXECUTIVE DIRECTORS

**Mr. YANG Jinming (楊金明)** ("Mr. Yang"), aged 46, 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 13 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"), Tian Yuan Energy Investment Limited (天源能源投資有限公司) ("Tian Yuan Energy"), 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 44, 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 and Tian Yuan Energy.

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 39, 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 purpose only*

## NON-EXECUTIVE DIRECTOR

**Mr. YANG Fan (楊帆)**, aged 33, 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 Jia Yao 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 46, 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 20 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 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 and subsequently joined ZHONGHUI ANDA CPA Limited in March 2010 and he has been an audit 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 50, 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.

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 67, 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.

* *for identification purpose only*

## SENIOR MANAGEMENT

**Mr. DING Fuxing (丁富興)** ("Mr. Ding"), aged 58, 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 25 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 44, 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)).

**Mr. LUO Lifeng (羅立鋒)** ("Mr. Luo"), aged 32, 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.

* *for identification purpose only*

## COMPANY SECRETARY

**Mr. HUNG Chung Wah (洪從華)** ("Mr. Hung"), aged 43, was appointed as our company secretary and financial controller on 10 May 2018 and possesses over 19 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.

## 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 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") during the Reporting Year, 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 Year.

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.

## 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 2019 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 12 to 16 of this Annual Report.

There was no financial, business, family or other material relationship among the Directors during the Reporting Year 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.

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 2019, 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 Year 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.

Eight Board meetings have been held during the Reporting Year. The attendance records of the respective Directors to these Board meetings are set out below:

| Name of Director | Attendance/Meeting held during the Reporting Year |
|---|---|
| Mr. Yang Jinming *(Chairman and Chief Executive Officer) (Note 1)* | 4/8 |
| Ms. Tong Wai Man | 8/8 |
| Mr. Su Baihan | 7/8 |
| Mr. Yang Fan | 7/8 |
| Mr. Pang Hon Chung | 6/8 |
| Professor Wu Jinwen | 7/8 |
| Mr. Huang Yaohui | 6/8 |

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

*Note 1:* Mr. Yang Jinming abstained from voting and did not attend 3 meetings for discussing and/or approving transactions in which he or any of his associates have a material interest.

## 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 Year, 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. One Remuneration Committee meeting has been held during the Reporting Year.

The meeting of the Remuneration Committee was held for, inter alia, reviewing the remuneration packages of 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 during the Reporting Year** |
|---|---|
| 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 Year, 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. One nomination committee meeting has been held during the Reporting Year.

The meeting of the Nomination Committee was held 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 during the Reporting Year** |
|---|---|
| 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 C.3.3 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. Two Audit Committee meetings have been held to discuss and approve the annual results and interim results during the Reporting Year.

The Audit Committee has, inter alia, reviewed the consolidated financial statements of the Group for the year ended 31 December 2018 and for the six months ended 30 June 2019, 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 Year** |
|---|---|
| Mr. Pang Hon Chung *(Chairman)* | 2/2 |
| Professor Wu Jinwen | 2/2 |
| Mr. Huang Yaohui | 2/2 |

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Directors has entered into a service agreement with the Company for a term of three year commencing from the 1 June 2019 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.

At the AGM held on 23 May 2019, Mr. Yang Jinming, Ms. Tong Wai Man, Mr. Su Baihan and Mr. Yang Fan retired from office by rotation, and Mr. Pang Hon Chung, Professor Wu Jinwen and Mr. Huang Yaohui held office until that AGM and were subject to re-election pursuant to the Articles of Association, and all of them were re-elected as Directors thereat.

## 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 55 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 2019 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 2019, 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 2019 was approximately RMB1.4 million. There was no non-audit service fee incurred for the year ended 31 December 2019.

**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 2019. 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 2019 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 2019.

## 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 2019 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 convene extraordinary general meetings whenever it thinks fit. 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 54, 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.

## SCOPE AND REPORTING PERIOD

This 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 2019 to 31 December 2019, unless otherwise stated.

During the Reporting Year, the Group's total throughput were 3,968 thousand tonnes, conducting principal activities on:

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

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

3. Supply and sales of oil products.

## 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, regular dialogue and meetings. In the Reporting Year, the Group has 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 Year, 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 0.63 kg of nitrogen oxides ("NOx") and 1.12 kg of sulphur oxides ("SOx"). Respiratory suspended particles ("PM") emission was not reported due to lack of information during the Reporting Year.

### *A1.2 Greenhouse Gas Emissions*

| Scope of Greenhouse Gas Emissions | Emission Sources | | 2019 Emission (in tonnes of carbon dioxide equivalent "$tCO_2e$") | 2019 Total Emission (in %) | 2018 Emission (in tonnes of carbon dioxide equivalent "$tCO_2e$") | 2018 Total Emission (in %) |
|---|---|---|---|---|---|---|
| **Scope 1** Direct Emissions | Combustion of Fuels in Stationary Source | LPG | **10.32** | **16** | 9.96 | 17 |
| | Combustion of Fuels in Mobile Sources | Diesel | **166.08** | | 134.84 | |
| | | Petrol | **16.65** | | 17.06 | |
| | Release of Refrigerants from the Operation of Equipment and Systems | | **27.18** | | 73.86 | |
| **Scope 2** Energy Indirect Emissions | Purchased Electricity | | **1,094.06** | **80** | 1,065.18 | 79 |
| **Scope 3** Other Indirect Emissions | Paper Waste Disposal | | **2.30** | **4** | 1.72 | 4 |
| | Fresh Water Consumption | | **47.84** | | 55.93 | |
| | Business Air Travel | | **0.81** | | 0.21 | |
| **Total** | | | **1,365.24** | **100** | 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 1,365.24 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operations in the Reporting Year, 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 24.76 tonnes of scrap metal from trimming works at the terminals and 0.48 tonnes of paper waste during the Reporting Year.

***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 Year. 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 2,472,676 kWh, with an energy intensity of 623.15 kWh per thousand tonnes of total cargo throughput. 1,735,644 kWh of electricity was consumed for daily office and terminal operations; 3,420 kg of LPG was used at canteen; and 6,180 litres of petrol and 63,470 litres of diesel were used for Group-owned light goods vehicles and other mobile machineries such as forklifts.

| Energy Consumption Sources | 2019 Consumption (in kWh) | 2018 Consumption (in kWh) |
|---|---|---|
| LPG | **47,670** | 45,997 |
| Diesel | **634,594** | 515,204 |
| Electricity | **1,735,644** | 1,689,820 |
| Petrol | **54,768** | 56,106 |
| **Total** | **2,472,676** | 2,307,127 |

### *A2.2 Water Consumption*

Fresh water consumption by the Group was 118,855 $m^3$ with an intensity of 29.95 $m^3$ per thousand tonnes of total cargo throughput during the Reporting Year. 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 Year, 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 had engaged external consultant to conduct environmental incident risk assessment for the terminal operations in previous year, to gain insight of its business impact to the environment and natural resources. The assessment will be beneficial to regular review and 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 223 employees as of 31 December 2019, 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 Year, 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** | **2019** | 2018 |
|---|---|---|
| **By Gender** | | |
| Female | **17%** | 19% |
| Male | **83%** | 81% |
| **By Employee Category** | | |
| Senior Management | **1%** | 1% |
| Middle Management | **11%** | 11% |
| Frontline and Other Employees | **88%** | 88% |
| **By Age Group** | | |
| 18–25 | **8%** | 14% |
| 26–35 | **39%** | 37% |
| 36–45 | **31%** | 33% |
| 46–55 | **18%** | 15% |
| 56 or above | **4%** | 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 Year, 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 Year are as follows:

| **Turnover Rate** | **2019** | 2018 |
|---|---|---|
| **By Gender** | | |
| Female | **3%** | 0% |
| Male | **8%** | 9% |
| **By Age Group** | | |
| 18–25 | **28%** | 24% |
| 26–35 | **9%** | 9% |
| 36–45 | **3%** | 1% |
| 46–55 | **0%** | 0% |
| 56 or above | **0%** | 0% |

***B2. Employee Health and Safety***

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

| **Occupational Health and Safety Data** | **2019** | 2018 |
|---|---|---|
| Work related fatality | **0** | 0 |
| Work injury cases >3 days | **0** | 0 |
| Work injury cases ≤3 days | **0** | 0 |
| Lost days due to work injury | **0** | 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 1,789 training hours were conducted in the Reporting Year. Percentage of employees trained (categorized by gender and employee category) and the training hours (categorized by gender and employee category) are shown below:

| | **2019** | 2018 |
|---|---|---|
| Percentage of Employees Trained by Gender | | |
| — Male | **80%** | 64% |
| — Female | **59%** | 60% |
| Percentage of Employees Trained by Employee Category | | |
| — Senior Management | **100%** | 100% |
| — Middle Management | **80%** | 100% |
| — Frontline and Other Employees | **75%** | 58% |
| Average Training Hours Completed per Employee by Gender | | |
| — Male | **14 hours** | 8 hours |
| — Female | **11 hours** | 7 hours |
| Average Training Hours Completed per Employee by Employee Category | | |
| — Senior Management | **77 hours** | 39 hours |
| — Middle Management | **22 hours** | 17 hours |
| — Frontline and Other Employees | **11 hours** | 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 Year. 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 99 local suppliers and contractors in the PRC during the Reporting Year, mainly for their services on labour works regarding loading and unloading, supplies for sales of oil products, 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 Year, 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 Year. 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. RMB127,000 was donated to several charity activities during the Reporting Year.

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 and sales. Should the economic growth of the Group's major surrounding areas slow down, the demand for the Group's services and goods 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 and goods 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 and goods, which could have an adverse effect on the Group's revenue 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 one of the leading handlers 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 and sales 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.

# DIRECTORS' REPORT

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 2019.

## 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 as well as supply and sales of oil products 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 2019 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 12 to the consolidated financial statements of this Annual Report.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five years is set out on page 120 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

In accordance with Article 108 of the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

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 annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that 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.

Accordingly, Ms. Tong Wai Man, Mr. Yang Fan and Mr. Pang Hon Chung shall retire at the AGM and, being eligible, offer themselves for re-election.

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 of the Directors has entered into a service agreement with the Company for a term of three year commencing from 1 June 2019 until terminated by not less than two months' notice in writing served by either party on the other.

None of the Directors 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 12 to 16 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 31 and note 8 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 2019 or at any time for the Reporting Year.

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

As at 31 December 2019, 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 2019, 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 2019, 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 2019, 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.

During the year, Mr. Yang notified our Group in writing that he became aware of his existing business ("Tianyuan Petrochemical's Existing Business") of oil processing carried out by Maoming Tianyuan Petrochemical Company Limited ("Tianyuan Petrochemical") that may compete with the supply and sales of oil products business of our Group started in second half of 2019, and enquired if our Group would exercise the right of first refusal to take up Tianyuan Petrochemical's business.

After receipt of the written notice given by Mr. Yang, the Directors (including all independent non-executive Directors, excluding Mr. Yang) are of the view that, as our Group does not carry out production and/or processing of oil products, and Tianyuan Petrochemical's business does not involve trading of oil products, Tianyuan Petrochemical's business is not the same/similar, or in competition with or likely to be in competition with the supply and sales of oil products business of our Group, and would not exercise the right of first refusal to take up Tianyuan Petrochemical's business. In addition, Mr. Yang and Tianyuan Petrochemical agree and undertake to report to the Board the operation of Tianyuan Petrochemical's business every half year and provide any information as is reasonably required by the Board for the Company to understand if Tianyuan Petrochemical is carrying out any business that is competing or may compete with our Group.

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. The de minimis connected transaction is exempt from reporting, annual review, announcement and independent Shareholder's approval requirements while the continuing connected transaction is exempt from independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

**Continuing Connected Transactions**

On 31 May 2019, Tianyuan, an indirectly non-wholly owned subsidiary of the Company, and Zhengyuan, an indirectly wholly-owned subsidiary of the Company, entered into the framework agreement (the "Framework Agreement") with Tianyuan Petrochemical for a term from 1 January 2019 to 31 December 2019. Pursuant to which Tianyuan and Zhengyuan will provide uploading and unloading services at the terminals operated by Tianyuan and Zhengyuan, respectively, both of them situated at the Shuidong port area of the Port of Maoming.

Tianyuan Petrochemical is a wholly owned subsidiary of Maoming Tianyuan, which in turn held as to 95% and 5% by Mr. Yang and Ms. Gan Yanmei, respectively, with Mr. Yang being our Controlling Shareholder. As of the reporting date, Tianyuan Petrochemical is a connected person of the Company under the Listing Rules, while any transaction between the Group and Tianyuan Petrochemical is accordingly connected transaction and the Framework Agreement constitutes continuing connected transaction.

The annual cap amount set for the total transaction value for the transactions under the Framework Agreement for the year ending 31 December 2019 ("Annual Cap") is RMB8,000,000 (including value added tax) (equivalent to approximately HK$9,200,000). Details of the said continuing connected transactions are set out in the Company's announcement dated 31 May 2019.

The independent non-executive Directors have reviewed the said continuing connected transactions and confirmed that the said continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Auditor were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed below by the Group in accordance with relevant clauses of Rule 14A.56 of the Listing Rules. Among which, the Auditor confirmed that there is nothing that has come to its attention that the continuing connected transaction: (1) have not been approved by the Board, (2) (where such transactions involve provision of goods or services by the Group) were not, in all material respects, in accordance with the pricing policies of the Group, (3) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions, and (4) have exceeded their respective Annual Caps.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for the Tianyuan Petrochemical's Existing Business disclosed in section "Controlling Shareholders' Interest — Non-Competition Undertakings" above in this Directors' Report, 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 RMB0.032 per ordinary share for the year ended 31 December 2019, amounted to RMB19,200,000 based on 600,000,000 shares in issue as at 31 December 2019.

The proposed final dividend will be paid to Shareholders whose names appear on the register of members of the Company on Monday, 15 June 2020, 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 Wednesday, 24 June 2020.

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 26 March 2020, which is RMB1 to HK$1.09506. Each Eligible Shareholder will receive a dividend of HK$0.03504 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 | 29.7% | Not applicable |
| Five largest customers in aggregate | 56.9% | Not applicable |
| The largest supplier | Not applicable | 57.2% |
| Five largest suppliers in aggregate | Not applicable | 87.9% |

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 2019 amounted to approximately RMB209.3 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 Stock 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 2019, 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 | Approximate% of total actual net proceeds | Actual amount utilised from the Listing Date up to 31 December 2019 | Balance as at 31 December 2019 |
|---|---|---|---|---|
| | RMB'000 | | RMB'000 | 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% | 32,366 | 4,278 |
| Working capital and other general corporate purposes | 4,072 | 10% | 4,072 | — |
| **Total** | 40,716 | 100% | 36,438 | 4,278 |

As at 31 December 2019, unutilised proceeds amounted to approximately HK$4.8 million (equivalent to approximately RMB4.3 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 8 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 2019.

## ANNUAL GENERAL MEETING

The AGM of the Company is scheduled to be held on Friday, 5 June 2020. A notice convening the 2020 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 2020 AGM, the register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020 (both dates 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 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Monday, 1 June 2020.

**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 Thursday, 11 June 2020 to Monday, 15 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 10 June 2020.

## DONATIONS

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

# DIRECTORS' REPORT

## 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 2019 and up to the date of this Annual Report.

## SUBSEQUENT EVENT

Since the outbreak of COVID-19 in or around early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, the Company has actively responded to and strictly implemented various regulations and requirements of the PRC government at all levels for virus epidemic prevention and controls. To ensure both epidemic prevention and production, the Company and its subsidiaries have resumed work since 10 February 2020, and deployed strict internal management measures to implement epidemic prevention work. As of the reporting date of this Annual Report, no significant adverse impact has been found.

## 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 2019 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, 26 March 2020

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 119, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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 16(a) trade receivables to the consolidated financial statements.<br><br>As at 31 December 2019, the Group's gross trade receivables amounted to RMB7,802,000, with no provision made.<br><br>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.<br><br>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:<br><br>We understood and validated the key controls in place, including management's aging analysis review and regular assessment on recoverability;<br><br>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;<br><br>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;<br><br>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;<br><br>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.<br><br>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 is 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, 26 March 2020

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019
(All amounts expressed in RMB unless otherwise stated)

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Note* | **RMB'000** | RMB'000 |
| Revenue | *5* | **124,724** | 82,393 |
| Cost of sales | *7* | **(75,748)** | (34,264) |
| **Gross profit** | | **48,976** | 48,129 |
| Other income | | **—** | 1,061 |
| Other gains — net | *6* | **263** | 1,319 |
| Selling and administrative expenses | *7* | **(16,374)** | (27,545) |
| **Operating profit** | | **32,865** | 22,964 |
| Finance income | | **103** | 631 |
| Finance costs | | **(1,635)** | — |
| Finance (costs)/income — net | *9* | **(1,532)** | 631 |
| **Profit before income tax** | | **31,333** | 23,595 |
| Income tax expense | *10* | **(9,826)** | (10,534) |
| **Profit for the year** | | **21,507** | 13,061 |
| Other comprehensive income for the year | | **—** | — |
| **Total comprehensive income for the year** | | **21,507** | 13,061 |
| **Profit and total comprehensive income attributable to:** | | | |
| Owners of the Company | | **14,452** | 5,849 |
| Non-controlling interests | *23* | **7,055** | 7,212 |
| | | **21,507** | 13,061 |
| **Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)** | | | |
| Basic and diluted | *11* | **0.0241** | 0.0109 |

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

# CONSOLIDATED BALANCE SHEET

As at 31 December 2019
(All amounts expressed in RMB unless otherwise stated)

| | | As at 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Note* | **RMB'000** | RMB'000 |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *12* | **157,843** | 148,842 |
| Right-of-use assets | *13* | **52,505** | — |
| Prepaid operating leases | | **—** | 44,118 |
| Intangible assets | *14* | **205** | 9,667 |
| Prepayments | *18* | **2,415** | 105 |
| Deferred income tax assets | *15* | **4** | — |
| | | **212,972** | 202,732 |
| **Current assets** | | | |
| Trade and other receivables | *16* | **25,727** | 14,154 |
| Amounts due from a related party | *29* | **283** | 149 |
| Inventories | *17* | **52,385** | — |
| Prepayments and other assets | *18* | **698** | 1,276 |
| Term deposits | *19* | **2,864** | 1,773 |
| Cash and cash equivalents | *20* | **123,523** | 176,755 |
| | | **205,480** | 194,107 |
| **Total assets** | | **418,452** | 396,839 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | *21* | **4,895** | 4,895 |
| Share premium | *21* | **224,078** | 231,878 |
| Other reserves | *22* | **(21,305)** | (21,088) |
| Retained earnings | | **100,194** | 85,525 |
| | | **307,862** | 301,210 |
| **Non-controlling interests** | *23* | **48,823** | 70,668 |
| **Total equity** | | **356,685** | 371,878 |

# CONSOLIDATED BALANCE SHEET

As at 31 December 2019
(All amounts expressed in RMB unless otherwise stated)

| | Note | As at 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | | **RMB'000** | RMB'000 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | *13* | **395** | — |
| Deferred income tax liabilities | *15* | **294** | 308 |
| | | **689** | 308 |
| **Current liabilities** | | | |
| Trade and other payables and accruals | *24* | **26,104** | 17,263 |
| Borrowings | *25* | **20,000** | — |
| Contract liabilities | *5* | **8,448** | 1,854 |
| Current income tax liabilities | | **6,046** | 5,536 |
| Lease liabilities | *13* | **473** | — |
| Deferred income tax liabilities | *15* | **7** | — |
| | | **61,078** | 24,653 |
| **Total liabilities** | | **61,767** | 24,961 |
| **Total equity and liabilities** | | **418,452** | 396,839 |

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

The financial statements on pages 59 to 119 were approved by the Board of Directors on 26 March 2020 and were signed on their behalf.

**Yang Jinming**
*Director*

**Su Baihan**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(All amounts expressed in RMB unless otherwise stated)

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **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) | — | — | — |
| Capitalization issue *(Note 21(a))* | 3,671 | (3,671) | — | — | — | — | — | — | — | — |
| Shares issued pursuant to the initial public offering *(Note 21(b))* | 1,224 | 102,788 | — | — | — | — | — | 104,012 | — | 104,012 |
| Share issuance costs *(Note 21(b))* | — | (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 |
| **For the year ended 31 December 2019** | | | | | | | | | | |
| **As at 1 January 2019** | **4,895** | **231,878** | **(64,894)** | **31,021** | **5,500** | **7,285** | **85,525** | **301,210** | **70,668** | **371,878** |
| Profit and total comprehensive income for the year | **—** | **—** | **—** | **—** | **—** | **—** | **14,452** | **14,452** | **7,055** | **21,507** |
| Appropriation to production safety reserve | **—** | **—** | **—** | **—** | **—** | **(217)** | **217** | **—** | **—** | **—** |
| Dividends to owners of the Company *(Note 26)* | **—** | **(7,800)** | **—** | **—** | **—** | **—** | **—** | **(7,800)** | **—** | **(7,800)** |
| Dividends to non-controlling interests in subsidiaries *(Note 23(a))* | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(28,900)** | **(28,900)** |
| **As at 31 December 2019** | **4,895** | **224,078** | **(64,894)** | **31,021** | **5,500** | **7,068** | **100,194** | **307,862** | **48,823** | **356,685** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019
(All amounts expressed in RMB unless otherwise stated)

| | Note | Year ended 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | | **RMB'000** | RMB'000 |
| **Cash flow from operating activities** | | | |
| Cash generated from operations | *27* | **1,777** | 31,270 |
| Interest received | | **103** | 631 |
| Interest paid | | **(1,558)** | — |
| Income tax paid | | **(9,327)** | (12,167) |
| **Net cash (used in)/generated from operating activities** | | **(9,005)** | 19,734 |
| **Cash flow from investing activities** | | | |
| Proceeds from disposal of property, plant and equipment | | **26** | 414 |
| Purchases of property, plant and equipment | | **(25,940)** | (19,860) |
| Purchases of intangible assets | | **(3)** | (208) |
| Decrease in amounts due from a related party | | **—** | 68,948 |
| Increase in term deposits | | **(1,091)** | (1,773) |
| **Net cash (used in)/generated from investing activities** | | **(27,008)** | 47,521 |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **40,000** | — |
| Repayments of borrowings | | **(20,000)** | — |
| Dividends paid to the owners of the Company | | **(7,800)** | — |
| Dividends paid to non-controlling interests in subsidiaries | | **(28,900)** | — |
| Proceeds from initial public offering of shares | | **—** | 104,012 |
| Professional expenses paid in connection with initial public of shares | | **—** | (13,903) |
| Principal elements and interest elements of lease payments | | **(519)** | — |
| **Net cash (used in)/generated from financing activities** | | **(17,219)** | 90,109 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(53,232)** | 157,364 |
| Cash and cash equivalents at beginning of the year | | **176,755** | 19,391 |
| **Cash and cash equivalents at end of the year** | *20* | **123,523** | 176,755 |

The above consolidated statement 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, supply and sales of oil products 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").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board on 26 March 2020.

## 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 2019:

| | |
|---|---|
| • HKFRS 16 | Leases |
| • Interpretation 23 | Uncertainty over income tax treatment |
| • Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| • Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| • Annual improvements | HKFRS Standards 2015–2017 Cycle |
| • Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |

(All amounts expressed in RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

***(iii) New and amended standards adopted by the Group*** *(Continued)*

The group had to change its accounting policies as a result of adopting HKFRS 16. The group elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

***(iv) New standards and interpretations not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| HKAS 1 and HKAS 8 (Amendment) | Definition of Material | January 1, 2020 |
| HKFRS 3 (Amendment) | Definition of a Business | January 1, 2020 |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting | January 1, 2020 |
| HKFRS 17 | Insurance Contracts | January 1, 2021 |
| HKFRS 10 and HKAS 28 (Amendment) | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

### 2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the group's financial statements.

As indicated in Note 2.1 above, the group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.24.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Changes in accounting policies *(Continued)*

On adoption of HKFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.96%.

***(i) Practical expedients applied***

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

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019,
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

***(ii) Measurement of lease liabilities***

| | **2019**<br>**RMB'000** |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | **1,504** |
| Discount arising from conversion into present value by discounting cash flows using the lessee's incremental borrowing rate at 1 January 2019 | **(194)** |
| Lease liability recognized as at 1 January 2019 | **1,310** |
| Of which are: | |
| Current lease liabilities | **442** |
| Non-current lease liabilities | **868** |
| | **1,310** |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Changes in accounting policies *(Continued)*

***(iii) Measurement of right-of-use assets***

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

***(iv) Adjustments recognized in the balance sheet on 1 January 2019***

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

| **Consolidated balance sheet (extract)** | Closing balance as at 31 December 2018 RMB'000 | Effect of adoption of HKFRS 16 RMB'000 | **Opening balance as at 1 January 2019 RMB'000** |
|---|---|---|---|
| **Non-current assets** | | | |
| Right-of-use assets | — | 54,848 | **54,848** |
| Prepaid operating lease | 44,118 | (44,118) | **—** |
| Intangible assets | 9,667 | (9,420) | **247** |
| | 53,785 | 1,310 | **55,095** |
| **Non-current liabilities** | | | |
| Lease liabilities | — | 868 | **868** |
| **Current liabilities** | | | |
| Lease liabilities | — | 442 | **442** |
| | — | 1,310 | **1,310** |

***(v) Lessor accounting***

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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.

#### *2.3.2 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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'.

### 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% |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.6 Property, plant and equipment *(Continued)*

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.

### 2.7 Intangible assets

Intangible assets represent computer software. Computer software is stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration paid for the rights to use the computer software for 3 years. Amortization of computer software is calculated on the straight-line method over 3 years.

### 2.8 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.

### 2.9 Financial assets

***(a) Classification***

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.9 Financial assets *(Continued)*

#### *(a)* ***Classification*** *(Continued)*

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.

#### ***(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***

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.

### 2.10 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.11 Inventories

Inventories, mainly comprising fuel oil, are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method and represents purchase costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

### 2.12 Trade and other receivables and amounts due from a related party

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables and amounts due from a related party 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 a related party 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 Trade and other payables and accruals

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and 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.

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

### 2.18 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### 2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

### 2.20 Current and deferred income tax

The tax expense for the year comprises 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.20 Current and deferred income tax *(Continued)*

#### *(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)*

### 2.21 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.

### 2.22 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)*

### 2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided or goods supplied, 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 goods and 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 or at a point in 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) Sales of goods and service income***

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

Service income is recognized when the related services are rendered.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.24 Leases

As explained in Note 2.2 above, the group has changed its accounting policy for leases where the group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the group under residual value guarantees,
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.24 Leases *(Continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Rental income from operating leases where the group is a lessor is recognized in income on a straight-line basis over the lease term (Note 5). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as rental income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

### 2.25 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.

### 2.26 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 9 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.27 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 RMB422,000 and RMB559,000 as at 31 December 2019 and 2018 which were denominated in HK$ and cash and cash equivalents of RMB4,495,000 and RMB9,803,000 as at 31 December 2019 and 2018 which were denominated in HK$ and USD, the Group had no other material foreign currency denominated assets and liabilities. As at 31 December 2019 and 2018, 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 2019 and 2018 would have been RMB204,000 and RMB460,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ or USD denominated financial assets and liabilities.

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

Other than deposits held in banks, term deposits and borrowing 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 2019 and 2018 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.

## 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 (Continued)*

As at 31 December 2019 and 2018, the annual interest rate of the Group's term deposits balance was 2.09% and 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.

As at 31 December 2019, the annual interest rate of the Group's borrowings balance was 6.96% per annum. The maturity term of the borrowings are within 1 year 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, term deposit, trade and other receivables and amounts due from a related party.

All of the Group's trade receivables, other receivables and amounts due from a related party 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 2019 and 2018, 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 2019 and 2018 are as follows:

| | **As at 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Big four commercial banks *(Note (i))* | **119,347** | 126,870 |
| Other listed banks | **7,029** | 51,639 |
| Other non-listed banks | **2** | 1 |
| | **126,378** | 178,510 |

(i) Big four commercial banks include Industrial and Commercial Bank of China, Agricultural Bank of China, China Construction Bank 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 a related party, they are primarily large corporations with strong financial position. The Group maintains frequent communication with them and management considers their credit risks are not high. Management has also closely monitored the credit qualities and the collectability of these receivables and considers their expected credit risks 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 years ended 31 December 2019 and 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 2019 and 2018.

*(iii) Other receivables and non-trade receivables due from a related party*

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.

(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)*

*(iii) Other receivables and non-trade receivables due from a related party (Continued)*

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.

As at 31 December 2019 and 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 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *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.

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **As at 31 December 2019** | | | | | |
| Borrowing | **20,561** | — | — | — | **20,561** |
| Trade and other payables and accruals | **19,011** | — | — | — | **19,011** |
| Lease Liabilities | **519** | **98** | **294** | **74** | **985** |
| | **40,091** | **98** | **294** | **74** | **40,557** |

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **As at 31 December 2018** | | | | | |
| Trade and other payables and accruals | 11,350 | — | — | — | 11,350 |
| | 11,350 | — | — | — | 11,350 |

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 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 total debt (including external borrowings and lease liabilities as shown in the consolidated balance sheet) divided by total capital.

The gearing ratio as at 31 December 2019 and 2018 as follows:

| | **As at 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Total debt | **20,868** | Not applicable* |
| Total equity | **356,685** | Not applicable* |
| Gearing ratio | **5.9%** | Not applicable* |

* No gearing ratio is presented as the Group had no debt as at 31 December 2018.

### 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, term deposit, trade and other receivables and financial liabilities including borrowings, lease liabilities and trade and 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.

### (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 AND REVENUE

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 CODM identified two reportable segments as follows:

Cargo handling and ancillary services: Provision of uploading and unloading services and related ancillary value-added port services;

Sales of oil products: Supply and sales of oil products.

Inter-segment transactions are carried out at arm's length.

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.

The segment information for the year ended 31 December 2019 and as at year 31 December 2019 is listed as follows:

| | Year ended 31 December 2019 | | |
|---|---|---|---|
| | Cargo handling and ancillary services RMB'000 | Sales of oil products RMB'000 | Total RMB'000 |
| Total segment revenue | 86,376 | 38,616 | 124,992 |
| Inter-segment revenue | (268) | — | (268) |
| Revenue from external customers | 86,108 | 38,616 | 124,724 |
| Segment results — gross profit | 46,357 | 2,619 | 48,976 |
| Other gains — net | | | 263 |
| Administrative and selling expenses | | | (16,374) |
| Finance costs | | | (1,532) |
| Profit before income tax | | | 31,333 |
| Income tax expenses | | | (9,826) |
| Profit for the year | | | 21,507 |
| Other information: | | | |
| — Depreciation and amortisation | 11,719 | 310 | 12,029 |

## 5 SEGMENT INFORMATION AND REVENUE *(Continued)*

The segment information for the year ended 31 December 2019 and as at year 31 December 2019 is listed as follows (continued):

| | As at 31 December 2019 | | |
|---|---|---|---|
| | **Cargo handling and ancillary services RMB'000** | **Sales of oil products RMB'000** | **Total RMB'000** |
| Segment assets | **360,576** | **57,481** | **418,057** |
| Unallocated assets: | | | |
| — Head office | | | **391** |
| — Deferred income tax assets | | | **4** |
| Total assets | | | **418,452** |
| Segment liabilities | **16,759** | **18,661** | **35,420** |
| Unallocated liabilities: | | | |
| — Current income tax liabilities | | | **6,046** |
| — Deferred income tax liabilities | | | **301** |
| — Borrowings | | | **20,000** |
| Total liabilities | | | **61,767** |

The segment information for the year ended 31 December 2018 and as at year 31 December 2018 is listed as follows:

| | Year ended 31 December 2018 | | |
|---|---|---|---|
| | Cargo handling and ancillary services RMB'000 | Sales of oil products RMB'000 | Total RMB'000 |
| Revenue from external customers | 82,393 | — | 82,393 |
| Segment results — gross profit | 48,129 | — | 48,129 |
| Other income | | | 1,061 |
| Other gains — net | | | 1,319 |
| Administrative and selling expenses | | | (27,545) |
| Finance income | | | 631 |
| Profit before income tax | | | 23,595 |
| Income tax expenses | | | (10,534) |
| Profit for the year | | | 13,061 |
| Other information: | | | |
| — Depreciation and amortisation | 10,219 | — | 10,219 |

## 5 SEGMENT INFORMATION AND REVENUE *(Continued)*

The segment information for the year ended 31 December 2018 and as at year 31 December 2018 is listed as follows (continued):

| | As at 31 December 2018 | | |
|---|---|---|---|
| | Cargo handling and ancillary services RMB'000 | Sales of oil products RMB'000 | Total RMB'000 |
| Segment assets | 396,839 | — | 396,839 |
| Total assets | | | 396,839 |
| Segment liabilities | 19,117 | — | 19,117 |
| Unallocated liabilities: | | | |
| — Current income tax liabilities | | | 5,536 |
| — Deferred income tax liabilities | | | 308 |
| Total liabilities | | | 24,961 |

(a) The group derives revenue from the transfer of goods and services at a point in time and over time as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2019 RMB'000** | 2018 RMB'000 |
| Revenue from provision of uploading and unloading services | **81,017** | 77,058 |
| Revenue from sales of goods | **37,004** | — |
| Rental income | **5,091** | 5,335 |
| Service income | **1,612** | — |
| | **124,724** | 82,393 |
| Revenue recognized under IFRS 15 — over time | **86,108** | 82,393 |
| Revenue recognized under IFRS 15 — at a point in time | **38,616** | — |
| | **124,724** | 82,393 |

Rental income are recognized proportionately over the lease term.

## 5 SEGMENT INFORMATION AND REVENUE *(Continued)*

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Customer A: | **37,004** | Not applicable* |
| Customer B: | **12,176** | Not applicable* |
| Customer C: | **Not applicable*** | 8,948 |

* The revenue of the particular customer is less than 10% of the Group's revenue for the particular year.

**(c) Contract liabilities**

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

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Contract liabilities related to sale of goods | **6,179** | — |
| Contract liabilities related to rental services | **1,830** | 1,515 |
| Contract liabilities related to uploading and unloading services | **439** | 339 |
| | **8,448** | 1,854 |

## 5 SEGMENT INFORMATION AND REVENUE *(Continued)*

**(c) Contract liabilities** *(continued)*

***(i) Revenue recognized in relation to contract liabilities***

The following table shows the amount of revenue recognized for the years ended 31 December 2019 and 2018 relates to the carried-forward contract liabilities balance.

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Revenue recognized that was included in the contract liabilities balance at 1 January 2019 and 2018 | | |
| Rental income | **1,515** | 1,733 |
| Revenue from provision of uploading and unloading services | **339** | 197 |
| | **1,854** | 1,930 |

***(ii) Unsatisfied contracts***

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

## 6 OTHER GAINS — NET

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Gains on additional deduction of VAT | **364** | — |
| Gains on disposals of property, plant and equipment | **16** | 292 |
| Net foreign exchange (loss)/gain | **(219)** | 992 |
| Others | **102** | 35 |
| | **263** | 1,319 |

## 7 EXPENSES BY NATURE

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Cost of goods sold | **35,997** | — |
| Employee benefit expenses *(Note 8)* | **24,024** | 21,422 |
| Depreciation of property, plant and equipment *(Note 12)* | **9,641** | 8,276 |
| Labour services fee | **4,562** | 4,450 |
| Production safety expenses | **2,841** | 384 |
| Depreciation of right of use assets *(Note 13)* | **2,343** | — |
| Professional service expenses | **2,016** | 1,434 |
| Fuel expenditures | **1,684** | 1,597 |
| Business tax and other levies | **1,498** | 1,806 |
| Repair and maintenance expenses | **1,479** | 1,931 |
| Auditors' remuneration | **1,441** | 1,386 |
| Electricity and water expenditures | **1,338** | 1,479 |
| Travelling expenses | **768** | 630 |
| Transportation costs | **539** | 616 |
| Office expenses | **371** | 289 |
| Insurance costs | **346** | 413 |
| Amortization of intangible assets *(Note 14)* | **45** | 353 |
| Listing expenses | **—** | 12,570 |
| Amortization of prepaid operating leases | **—** | 1,590 |
| Other expenses | **1,189** | 1,183 |
| Total cost of sales, selling and administrative expenses | **92,122** | 61,809 |

## 8 EMPLOYEE BENEFIT EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Salaries, wages and bonuses | **19,935** | 17,781 |
| Contributions to pension plans | **2,389** | 1,931 |
| Welfare, medical and other expenses | **1,700** | 1,710 |
| | **24,024** | 21,422 |

## 8 EMPLOYEE BENEFIT EXPENSES *(Continued)*

### (a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 include two (2018: two) directors whose emoluments are reflected in the analysis presented below. The emoluments payable to the remaining three (2018: three) individuals during the year are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Salaries, wages and bonuses | **1,176** | 959 |
| Contributions to pension plans | **38** | 36 |
| Welfare, medical and other expenses | **6** | 6 |
| | **1,220** | 1,001 |

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

| | Number of individuals Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Emolument bands: | | |
| Nil to HK$1,000,000 | **3** | 3 |

## 9 FINANCE (COSTS)/INCOME — NET

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| **Finance costs** | | |
| — Interest expenses for bank borrowings | **(1,558)** | — |
| — Interest expenses for lease liabilities | **(77)** | — |
| | **(1,635)** | — |
| **Finance income** | | |
| — Interest income on bank deposits | **103** | 631 |
| **Finance (costs)/income — net** | **(1,532)** | 631 |

## 10 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 2019 and 2018.

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 2019 and 2018.

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 2019 and 2018.

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** | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Current income tax | **9,837** | 10,513 |
| Deferred income tax *(Note 15)* | **(11)** | 21 |
| | **9,826** | 10,534 |

## 10 INCOME TAX EXPENSE *(Continued)*

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 | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Profit before income tax | **31,333** | 23,595 |
| Tax calculated at a tax rate of 25% | **7,833** | 5,898 |
| Tax effects of: | | |
| — Different income tax rates of certain companies | **1,212** | 3,878 |
| — Expenses not deductible for tax purpose | **507** | 485 |
| — Tax losses for which no deferred income tax asset was recognized | **285** | 252 |
| — Others | **(11)** | 21 |
| | **9,826** | 10,534 |

## 11 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 2019 and 2018.

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Profit attributable to owners of the Company (RMB'000) | **14,452** | 5,849 |
| Weighted average number of ordinary shares in issue (thousand shares) | **600,000** | 537,000 |
| Basic earnings per share (expressed in RMB) | **0.0241** | 0.0109 |

**(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 2019 and 2018.

## 12 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 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 |
| **Year ended 31 December 2019** | | | | | | | | | |
| Opening net book amount | **11,658** | **74,731** | **27,014** | **5,403** | **458** | **424** | **292** | **28,862** | **148,842** |
| Additions | **154** | **387** | **299** | **—** | **126** | **—** | **—** | **17,686** | **18,652** |
| Transfers | **391** | **41,035** | **357** | **—** | **—** | **—** | **—** | **(41,783)** | **—** |
| Disposals | **—** | **—** | **(10)** | **—** | **—** | **—** | **—** | **—** | **(10)** |
| Depreciation charge | **(703)** | **(5,565)** | **(2,809)** | **(310)** | **(199)** | **(55)** | **—** | **—** | **(9,641)** |
| Closing net book amount | **11,500** | **110,588** | **24,851** | **5,093** | **385** | **369** | **292** | **4,765** | **157,843** |
| **At 31 December 2019** | | | | | | | | | |
| Cost | **16,388** | **156,782** | **42,711** | **8,929** | **2,464** | **1,410** | **354** | **4,765** | **233,803** |
| Accumulated depreciation | **(4,888)** | **(46,194)** | **(17,860)** | **(3,836)** | **(2,079)** | **(1,041)** | **(62)** | **—** | **(75,960)** |
| Net book amount | **11,500** | **110,588** | **24,851** | **5,093** | **385** | **369** | **292** | **4,765** | **157,843** |

## 12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Cost of sales | **8,581** | 7,058 |
| Selling and administrative expenses | **1,060** | 1,218 |
| | **9,641** | 8,276 |

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

(c) As at 31 December 2019, the Group was in the process of applying for the ownership certificates of certain properties with an aggregate carrying value of approximately RMB1,991,000.

(d) As at 31 December 2019 and 2018, the costs of fully depreciated property, plant and equipment were RMB17,768,000 and RMB15,427,000, respectively.

(e) As at 31 December 2019, property, plant and equipment with carrying amounts of RMB85,572,000 were pledged as collaterals for the borrowings of the Group (2018: nil).

## 13 LEASES

**(a) Amounts recognized in the balance sheet**

The balance sheet shows the following amounts relating to leases:

| | **As at 31 December 2019** | As at 1 January 2019 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Right-of-use assets** | | |
| Office buildings | **840** | 1,310 |
| Sea area use rights | **9,137** | 9,420 |
| Land use rights | **42,528** | 44,118 |
| | **52,505** | 54,848 |
| **Lease liabilities** | | |
| Current | **473** | 442 |
| Non-current | **395** | 868 |
| | **868** | 1,310 |

## 13 LEASES *(Continued)*

### (a) Amounts recognized in the balance sheet *(Continued)*

As at 31 December 2019, sea area use rights with carrying amounts of RMB6,778,000 were pledged as collaterals for the borrowings of the Group (2018: nil).

As at 31 December 2019, certain land use rights with carrying amount of RMB25,553,000 was pledged as collaterals for the borrowings of the Group (2018: nil).

As at 31 December 2019, the Group had no events that were not included in the lease liabilities, but would result in potential future cash outflows.

### (b) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| **Depreciation charge of right-of-use assets** | | |
| Office buildings | **470** | — |
| Sea area use rights | **283** | — |
| Land use rights | **1,590** | — |
| | **2,343** | — |
| Interest expense (included in finance cost) | **77** | — |

The total cash outflow for leases in 2019 was RMB519,000.

### (c) The group's leasing activities

The group leases various offices. Rental contracts are typically made for fixed periods of 3 and 10 years. The lease agreements do not impose any covenants.

## 14 INTANGIBLE ASSETS

| | Sea area use rights RMB'000 | Computer software RMB'000 | Total RMB'000 |
|---|---|---|---|
| **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 |
| **Year ended 31 December 2019** | | | |
| At 31 December 2018 | **9,420** | **247** | **9,667** |
| Reclassify to right of use assets *(Note 13)* | **(9,420)** | — | **(9,420)** |
| Opening net book amount | — | **247** | **247** |
| Additions | — | **3** | **3** |
| Amortization charge | — | **(45)** | **(45)** |
| Closing net book amount | — | **205** | **205** |
| **At 31 December 2019** | | | |
| Cost | — | **442** | **442** |
| Accumulated amortization | — | **(237)** | **(237)** |
| Net book amount | — | **205** | **205** |

## 14 INTANGIBLE ASSETS *(Continued)*

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Cost of sales | **—** | 283 |
| Selling and administrative expenses | **45** | 70 |
| | **45** | 353 |

## 15 DEFERRED INCOME TAX

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Deferred tax assets: | | |
| — to be recovered after more than 12 months | **4** | — |
| | **4** | — |
| Deferred tax liabilities: | | |
| — to be recovered after more than 12 months | **(294)** | (308) |
| — to be recovered within 12 months | **(7)** | — |
| | **(301)** | (308) |
| Deferred tax liabilities-net | **(297)** | (308) |

## 15 DEFERRED INCOME TAX *(Continued)*

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 2019 and 2018 are set as follows:

| | Deferred tax assets | Deferred tax liabilities |
|---|---|---|
| | **Timing difference on lease adopted RMB'000** | **Timing difference on construction in progress RMB'000** |
| As at 31 December 2018 | — | (308) |
| Credited to profit or loss | 4 | 7 |
| As at 31 December 2019 | **4** | **(301)** |

| | Deferred tax assets | Deferred tax liabilities |
|---|---|---|
| | **Timing difference on accrued expenses RMB'000** | **Timing difference on construction in progress RMB'000** |
| As at 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 RMB1,094,000 and RMB809,000 in respect of tax losses amounting to RMB6,152,000 and RMB4,535,000 as at 31 December 2019 and 2018 that can be carried forward against future taxable income, respectively. Losses amounting to RMB213,000 and RMB203,000 will expire in 2025 and 2024 respectively.

As at 31 December 2019 and 2018, the Group had unrecognized deferred income tax liabilities of RMB12,112,600 and RMB10,068,500 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.

## 16 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM A RELATED PARTY

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Trade receivables | **7,802** | 8,998 |
| Less: allowance for impairment of trade receivables | **—** | — |
| Trade receivables — net | **7,802** | 8,998 |
| VAT recoverable | **9,735** | 2,660 |
| Note receivables — third parties | **7,263** | 1,877 |
| Other receivables — third parties | **927** | 619 |
| | **25,727** | 14,154 |
| Amounts due from a related party *(Note 29(d))* | **283** | 149 |

(a) The credit terms of trade receivables are generally within 30 to 180 days. Ageing analysis of trade receivables based on invoice date at respective balance sheet dates are as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Less than 30 days | **7,802** | 5,403 |
| 31 to 60 days | **—** | 835 |
| 61 to 90 days | **—** | 1,490 |
| 91 to 180 days | **—** | 1,270 |
| | **7,802** | 8,998 |

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

(c) As at 31 December 2019 and 2018, the Group's maximum exposure to credit risk was the carrying value of each class of trade and other receivables and amounts due from a related party mentioned above. The Group does not hold any collateral as security.

(d) As at 31 December 2019 and 2018, the fair values of trade and other receivables and amounts due from a related party approximate their carrying amounts due to their short-term maturities.

## 17 INVENTORIES

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Fuel oil | **52,385** | — |

During the year ended 31 December 2019, the cost of inventories recognized as expenses and included in "cost of sales" in profit and loss amounted to RMB35,997,000 (2018: nil). There was no write-down of inventory during the year ended 31 December 2019 (2018: nil).

## 18 PREPAYMENTS AND OTHER ASSETS

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Prepayments for construction and acquisition of property, plant and equipment | **2,415** | 105 |
| Prepayments for electricity and other expenses | **698** | 1,276 |
| | **3,113** | 1,381 |
| Less:non-current portion of prepayments | **(2,415)** | (105) |
| Current portion of prepayments and other assets | **698** | 1,276 |

## 19 TERM DEPOSITS

As at 31 December 2019, the initial terms of the Group's term deposits were three months (2018:six months). The annual interest rates of the Group's term deposits held in banks throughout the year ended 31 December 2019 ranged from 1.85% to 2.75% per annum (2018: 1.3% to 1.85%).

## 20 CASH AND CASH EQUIVALENTS

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Cash on hand | **9** | 18 |
| Cash at banks | **123,514** | 176,737 |
| Total cash and cash equivalents | **123,523** | 176,755 |

## 20 CASH AND CASH EQUIVALENTS *(Continued)*

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

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| RMB | **121,892** | 168,725 |
| USD | **1,401** | — |
| HK$ | **230** | 8,030 |
| | **123,523** | 176,755 |

(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.

## 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** |
| Issued and fully paid up: | | | | |
| **Year ended 31 December 2018** | | | | |
| As at 1 January 2018 | 100 | — | — | 155,000 |
| Capitalization issue *(Note (a))* | 449,999,900 | 4,500 | 3,671 | (3,671) |
| Issue of new shares pursuant to the initial public offering *(Note (b))* | 150,000,000 | 1,500 | 1,224 | 102,788 |
| Share issuance costs *(Note (b))* | — | — | — | (22,239) |
| **As at 31 December 2018** | 600,000,000 | 6,000 | 4,895 | 231,878 |
| **Year ended 31 December 2019** | | | | |
| As at 1 January 2019 | **600,000,000** | **6,000** | **4,895** | **231,878** |
| Dividends paid to owners of the Company *(Note 26)* | **—** | **—** | **—** | **(7,800)** |
| **As at 31 December 2019** | **600,000,000** | **6,000** | **4,895** | **224,078** |

## 21 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

(a) 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 of the Company in proportion to their respective shareholdings by way of capitalization of the sum of HK$4,500,000 standing to the credit of the share premium account of the Company.

(b) 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 net cash consideration of RMB102,788,000 on 1 June 2018. The share issuance costs of RMB22,239,000 were deducted from the share premium.

## 22 OTHER RESERVES

### (a) Other capital reserves

Other capital reserves represents i) the difference of RMB38,500,000, being the consideration paid over the aggregate paid-in capital for the acquisitions of the Zhengyuan Terminal and Tianyuan Terminal 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 2019 and 2018. 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 2019:

| 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 | |
|---|---|---|---|---|---|---|---|
| | | | | **2019** | 2018 | **2019** | 2018 |
| 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, sales of oil products 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% | **—** | — |
| Tian Yuan Energy Investment Limited | Hong Kong, limited liability | Investment holding in Hong Kong | HK$1 | **100%** | — | **—** | — |

## 23 SUBSIDIARIES *(Continued)*

**(i) Significant restrictions**

As at 31 December 2019, cash and cash equivalents of RMB121,828,000 (31 December 2018: RMB168,662,000) of 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.

**(a) Non-controlling interests**

Non-controlling interests as at 31 December 2019 and 2018 were related to 40% ownership interest in 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| **Assets** | | |
| Non-current assets | **90,076** | 91,015 |
| Current assets | **41,743** | 92,984 |
| **Total assets** | **131,819** | 183,999 |
| **Liabilities** | | |
| Current liabilities | **9,762** | 7,329 |
| **Total liabilities** | **9,762** | 7,329 |
| **Net assets** | **122,057** | 176,670 |

## 23 SUBSIDIARIES *(Continued)*

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

***Summarized financial statements of the subsidiary with material non-controlling interests*** *(Continued)*

**Summarized statements of comprehensive income**

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Revenue | **56,412** | 53,327 |
| Profit before income tax | **23,602** | 24,147 |
| Income tax expense | **(5,965)** | (6,116) |
| **Profit and total comprehensive income for the year** | **17,637** | 18,031 |
| **Profit and total comprehensive income allocated to non- controlling interests** | **7,055** | 7,212 |
| Dividends paid to non-controlling interests in subsidiaries | **28,900** | — |

**Summarized cash flow statements**

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Net cash generated from operating activities | **25,790** | 26,961 |
| Net cash generated from/(used in) investing activities | **44,897** | (9,042) |
| Net cash used in financing activities | **(72,250)** | — |
| **Net (decrease)/increase in cash and cash equivalents** | **(1,563)** | 17,919 |
| Cash and cash equivalents at beginning of year | **24,611** | 6,692 |
| **Cash and cash equivalents at end of year** | **23,048** | 24,611 |

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

## 24 TRADE AND OTHER PAYABLES AND ACCRUALS

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Trade payables *(Note (a))* | **12,482** | — |
| Accrual for staff costs and allowances | **5,704** | 5,074 |
| Other payables and accruals | **5,173** | 5,068 |
| Other tax payables | **1,389** | 839 |
| Accrual for construction of Zhengyuan Terminal and acquisition of property and equipment | **1,356** | 6,282 |
| Total | **26,104** | 17,263 |

(a) The ageing analysis of trade payables based on the date when the trade payables being recognized is as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| 31 to 60 days | **12,482** | — |
| | **12,482** | — |

(b) Trade and other payables were denominated in:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| — RMB | **25,682** | 16,664 |
| — HK$ | **422** | 599 |
| | **26,104** | 17,263 |

(c) As at 31 December 2019 and 2018, the fair values of trade and other payables and accruals and approximate their carrying amounts due to their short-term maturities.

## 25 BORROWINGS

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Current: | | |
| — Secured bank borrowings | **20,000** | — |

(a) As at 31 December 2019, borrowings of RMB20,000,000 are secured by certain property, plant and equipment (Note 12), land use rights (Note 13) and sea area use rights (Note 13) of the Group (2018: nil).

(b) As at 31 December 2019, The effective interest rates (per annum) was 6.96% (2018: nil).

(c) The maturity date of the borrowing was analyzed as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Less than 1 year | **20,000** | — |

The carrying amount for the current borrowings approximated their fair values because of their short term maturities.

(d) As at 31 December 2019, the Group's bank borrowings were denominated in RMB (2018: nil).

## 26 DIVIDENDS

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Final dividend for the year ended 31 December 2018 of RMB0.013 per ordinary share (2017: nil) | **7,800** | — |
| Total dividends provided for or paid | **7,800** | — |

During the year ended 31 December 2019, dividends were paid in cash (2018: nil).

## 26 DIVIDENDS *(Continued)*

A dividend in respect of the year ended 31 December 2019 of RMB0.032 per ordinary share, amounting to a total dividend of RMB19,200,000, is to be proposed at the annual general meeting to be held on 5 June 2020. These financial statements do not reflect this dividend payable.

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

| | **As at 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Proposed final dividend of RMB0.032 (2018: RMB0.013) per ordinary share | **19,200** | 7,800 |

## 27 CASH FLOW INFORMATION

**(a) Cash generated from operations**

| | **Year ended 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Profit before income tax | **31,333** | 23,595 |
| Adjustments for: | | |
| — Depreciation | **11,984** | 8,276 |
| — Amortization of prepaid operating leases | **—** | 1,590 |
| — Amortization of intangible assets | **45** | 353 |
| — Gains from disposal of property, plant and equipment | **(16)** | (292) |
| — Finance (costs)/income — net | **1,532** | (631) |
| Changes in working capital: | | |
| — Trade and other receivables | **(11,573)** | 2,820 |
| — Amounts due from related parties | **(134)** | (8,485) |
| — Prepayments and other assets | **578** | 8,037 |
| — Trade and other payables and accruals | **13,819** | (3,917) |
| — Inventories | **(52,385)** | — |
| — Contract liabilities | **6,594** | (76) |
| Cash generated from operations | **1,777** | 31,270 |

## 27 CASH FLOW INFORMATION *(Continued)*

**(b) Reconciliation of liabilities arising from financing activities**

| | Borrowings RMB'000 | Lease liabilities RMB'000 | Total RMB'000 |
|---|---|---|---|
| **As at 1 January 2018** | — | — | — |
| Inflow from financing activities | — | — | — |
| Outflow from financing activities | — | — | — |
| Interest expenses | — | — | — |
| **As at 31 December 2018** | — | — | — |
| Recognised on adoption of HKFRS 16 | — | 1,310 | 1,310 |
| **As at 1 January 2019** | **—** | **1,310** | **1,310** |
| Inflow from financing activities | **40,000** | **—** | **40,000** |
| Outflow from financing activities | **(20,000)** | **(519)** | **(20,519)** |
| Interest expenses | **—** | **77** | **77** |
| **As at 31 December 2019** | **20,000** | **868** | **20,868** |

## 28 COMMITMENTS

### (a) Capital commitments

As at 31 December 2019 and 2018, the Group had the following capital commitments on construction and acquisition of property,plant and equipment:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Contracted but not provided for | **4,997** | 9,075 |
| Authorized but not contracted for | **11,884** | 26,960 |
| | **16,881** | 36,035 |

### (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 a related party (Note 29(b)(ii)) and renewable at the end of the lease period at market rate.

| | **As at 31 December 2019** | As at 31 December 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| No more than 1 year | **—** | 519 |
| More than 1 year but no more than 5 years | **—** | 813 |
| More than 5 years | **—** | 172 |
| | **—** | 1,504 |

## 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Income from provision of guarantee and pledging of assets as collaterals for certain banking facilities of Maoming Tianyuan | **—** | 699 |

During the year ended 31 December 2018, the Group pledged certain land use rights, property, plant and equipment and intangible assets as collaterals (for bank borrowings granted to the Controlling Shareholders). In return, the Controlling Shareholder agreed to pay a compensation of RMB699,000 to the Group for the arrangement. All the pledges were released during the year ended 31 December 2018.

***(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 charge any rental and thereafter, has commenced to receive a monthly rent of HK$40,000 from June 2019 until December 2020.

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Office rental paid to Mr. Yang | **421** | 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Revenue from provision of uploading and unloading services to Tianyuan Petrochemical | **6,243** | 140 |

**(c) Key management compensations**

Key management compensation for the years ended 31 December 2019 and 2018, other than those relating to the emoluments of directors being disclosed in Note 31(a), are set out below:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Salaries, wages and bonuses | **1,323** | 1,092 |
| Contributions to pension plans | **46** | 44 |
| Welfare, medical and other expenses | **8** | 6 |
| | **1,377** | 1,142 |

**(d) Balances with a related party**

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| (i) Amounts due from Tianyuan Petrochemical | **283** | 149 |

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

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| (ii) Lease liabilities due to Mr. Yang | **405** | — |

## 30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| **Assets** | | |
| **Non-current asset** | | |
| Interest in a subsidiary | **187,108** | 187,108 |
| Amounts due from subsidiaries | **—** | 31,713 |
| | **187,108** | 218,821 |
| **Current assets** | | |
| Amounts due from subsidiaries | **25,013** | — |
| Prepayments | **130** | 284 |
| Term deposits | **2,864** | 1,773 |
| Cash and cash equivalents | **1,470** | 7,762 |
| | **29,477** | 9,819 |
| **Total assets** | **216,585** | 228,640 |
| **EQUITY** | | |
| **Equity attributable to owners of the Company** | | |
| Share capital (a) | **4,895** | 4,895 |
| Share premium (a) | **224,078** | 231,878 |
| Other reserve (a) | **32,108** | 32,108 |
| Accumulated losses (a) | **(46,844)** | (42,465) |
| **Total equity** | **214,237** | 226,416 |
| **Current liabilities** | | |
| Other payables and accruals | **2,348** | 2,224 |
| | **2,348** | 2,224 |
| **Total liabilities** | **2,348** | 2,224 |
| **Total equity and liabilities** | **216,585** | 228,640 |

The balance sheet of the Company was approved by the Board of Directors on 26 March 2020 and was signed on its behalf.

**Yang Jinming**
*Director*

**Su Baihan**
*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 2018 | — | 155,000 | 32,108 | (27,370) | 159,738 |
| Loss for the year | — | — | — | (15,095) | (15,095) |
| Capitalization issue *(Note 21(a))* | 3,671 | (3,671) | — | — | — |
| Shares issued pursuant to the initial public offering *(Note 21(b))* | 1,224 | 102,788 | — | — | 104,012 |
| Share issuance costs *(Note 21(b))* | — | (22,239) | — | — | (22,239) |
| As at 31 December 2018 | 4,895 | 231,878 | 32,108 | (42,465) | 226,416 |
| As at 1 January 2019 | **4,895** | **231,878** | **32,108** | **(42,465)** | **226,416** |
| Loss for the year | **—** | **—** | **—** | **(4,379)** | **(4,379)** |
| Dividends to owners of the Company *(Note 26)* | **—** | **(7,800)** | **—** | **—** | **(7,800)** |
| As at 31 December 2019 | **4,895** | **224,078** | **32,108** | **(46,844)** | **214,237** |

## 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 2019:

| | 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) | — | 792 | 16 | — | 808 |
| Ms. Tong Wai Man (ii) | — | 582 | 16 | — | 598 |
| Mr. Su Baihan (ii) | — | 140 | — | — | 140 |
| *Non-executive director* | | | | | |
| Mr. Yang Fan | — | 129 | — | — | 129 |
| *Independent non-executive directors* | | | | | |
| Mr. Pang Hon chung (iii) | 129 | — | — | — | 129 |
| Ms. Wu Jinwen (iii) | 107 | — | — | — | 107 |
| Mr. Huang Yaohui (iii) | 129 | — | — | — | 129 |
| | 365 | 1,643 | 32 | — | 2,040 |

## 31 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

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 |
| Ms. Wu Jinwen (iii) | 61 | — | — | — | 61 |
| Mr. Huang Yaohui (iii) | 74 | — | — | — | 74 |
| | 209 | 1,298 | 25 | — | 1,532 |

(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, Ms. 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 (2018: nil).

(v) During the year, none of the directors of the Company waived their emoluments nor has agreed to waive their emoluments (2018: nil).

## 31 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

**(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 (2018: nil).

**(c) Directors' termination benefits**

No payment was made to directors as compensation for the early termination of the appointment during the year (2018: nil).

**(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 (2018: 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 (2018: the same).

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

As at 31 December 2019, 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.

## 32 SUBSEQUENT EVENT

Since the outbreak of Coronavirus Disease 2019 in or around early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, the Company has actively responded to and strictly implemented various regulations and requirements of the PRC government at all levels for virus epidemic prevention and controls. To ensure both epidemic prevention and production, the Company and its subsidiaries have resumed work since 10 February 2020, and deployed strict internal management measures to implement epidemic prevention work. As of the reporting date of this financial statement, no significant adverse impact has been found.

# FIVE 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.

| | **2019** | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **124,724** | 82,393 | 81,599 | 73,697 | 71,188 |
| Profit attributable to owners of the Company | **14,452** | 5,849 | 19,244 | 12,392 | 7,481 |
| Total assets | **418,452** | 396,839 | 302,296 | 273,309 | 259,001 |
| Total liabilities | **61,767** | 24,961 | 25,252 | 22,673 | 27,039 |
| Total equity | **356,685** | 371,878 | 277,044 | 250,636 | 231,962 |
| Non-controlling interests | **48,823** | 70,668 | 63,456 | 56,292 | 50,010 |