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

2021 Annual Report

www.tianyuangroupholdings.com

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TIAN YUAN GROUP HOLDINGS LIMITED
ANNUAL REPORT 2021

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

Windward 3, Regatta Office Park
P.O. Box 1350
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
Windward 3, Regatta Office Park
P.O. Box 1350
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.
Agricultural Bank of China Limited
(Maoming Branch)
Guangdong Huaxing Bank Co., Ltd.
(Jiangmen Branch)

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 2021 (the "Reporting Year").

For the Reporting Year, the Group recorded a higher revenue of approximately RMB295.1 million, representing an increase of approximately 70.1% compared to that for the year ended 31 December 2020. The increase in revenue was attributable to the revenue generated from sales of oil products, which recorded an increase of approximately 179.5% in the Reporting Year.

Under the impact of COVID-19, the demand and revenue of the uploading and unloading services decreased for the year ended 31 December 2021, we believes that the influence would be temporary. Due to the ongoing COVID-19 pandemic, the Group has adopted highly strict preventive and protective measures to minimize its impact on our operations. It is on our priorities to maintain high standards of our operations in respect of the production safety, environment protection and good hygiene environment.

For further development of our handling capacity and enhancement of the operating efficiency, the Group intended to construct Zhengyuan Terminal Phase II, upon obtaining of the government approval, will construct a permeable terminal with an area of approximately 4,410 square meters. Since the Terminal Construction Project is located between Tianyuan Terminal and Zhengyuan Terminal, the construction of the Zhengyuan Terminal Phase II, can lengthen the coastline; increase the docking capacity of Zhengyuan Terminal; and connect Tianyuan Terminal and Zhengyuan Terminal to achieve more efficient and flexible use of resources of the two existing terminals.

As a long term development strategy, the Group would explore new business opportunities aiming to enhance its performance and improve the return on equity. The Company increased its dividend per ordinary share in the recent four financial years, 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, 29 March 2022

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 2021, 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.

During the year ended 31 December 2021, the Group achieved a total cargo throughput of approximately 4,104 thousand tonnes, representing a decrease of approximately 566 thousand tonnes or approximately 12.1% from approximately 4,670 thousand tonnes for the year ended 31 December 2020. The decrease in the cargo throughput was attributable to a decrease in demand, which was primarily affected by the ongoing COVID-19 pandemic and due to an increase in the procurement costs of our customers, especially an increase in commodities prices and transportation costs.

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 2020. The average selling price of the cargo handling fees of the Group remained stable for the year ended 31 December 2021 compared to that for the year ended 31 December 2020.

The Group has continuously enhanced its services quality and strengthened the relationship with its key customers. Our customers base has been expanded by increasing certain new customers during the Reporting Year.

The revenue generated from the sales of oil products increased as demand increased and contributed to approximately 70.7% of the total revenue of the Group for the Reporting Year.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the revenue was approximately RMB295.1 million, representing an increase of approximately 70.1% compared to approximately RMB173.5 million for the year ended 31 December 2020. The increase in revenue was attributable to an increase in revenue generated from sales of oil products for the Reporting Year.

	Year ended 31 December		Changes	
	2021	2020		
	RMB'000	RMB'000	RMB'000	%
Revenue from provision of uploading and unloading services	**85,097**	96,568	(11,471)	(11.9)
Revenue from sales of oil products	**205,217**	73,031	132,186	181.0
Rental income	**1,441**	2,325	(884)	(38.0)
Service income	**3,344**	1,599	1,745	109.1
	295,099	173,523	121,576	70.1

For the year ended 31 December 2021, our revenue from uploading and unloading services decreased by approximately 11.9% compared to that for the year ended 31 December 2020 to approximately RMB85.1 million. The decrease in revenue from uploading and unloading services was mainly attributable to a decrease in cargo throughput which was mainly due to a decrease in demand. During the Reporting Year, the revenue generated from handling asphalt, coal, kaolinite, and others decreased, which was partially offset by an increase in the revenue generated from handling grains and oil products.

For the year ended 31 December 2021, our revenue from sales of oil products increased by approximately 181.0% compared to that for the year ended 31 December 2020 to approximately RMB205.2 million. The increase in revenue from sales of oil products was primarily attributable to an increase in demand.

For the year ended 31 December 2021, our rental income decreased by approximately 38.0% compared to that for the year ended 31 December 2020 to approximately RMB1.4 million. The decrease in the rental income was primarily due to certain customers did not renew their rental agreements during the Reporting Year.

As demand increased, our service income for products sourcing for the Reporting Year increased by approximately 109.1% compared to that for the year ended 31 December 2020 to approximately RMB3.3 million.

Cost of sales

Our cost of sales increased by approximately 113.3% from approximately RMB112.2 million for the year ended 31 December 2020 to approximately RMB239.4 million for the year ended 31 December 2021. This was primarily attributable to the cost of goods sold of approximately RMB195.5 million recorded for the sales of oil products during the Reporting Year. The increase was also due to an increase in employee benefit expenses and depreciation of property, plant and equipment.

Gross Profit and Gross Profit Margin

The Group's overall gross profit decreased by approximately 9.2% from approximately RMB61.3 million for the year ended 31 December 2020 to approximately RMB55.7 million for the year ended 31 December 2021.

The decrease in gross profit was attributable to a decrease in gross profit contributed by the uploading and unloading services.

The overall gross profit margin decreased from approximately 35.3% for the year ended 31 December 2020 to approximately 18.9% for the year ended 31 December 2021.

The gross profit margin of the cargo handling and ancillary services segment was approximately 50.0% for the year ended 31 December 2021 compared to approximately 58.2% for the year ended 31 December 2020. The decrease was primarily due to a decrease in revenue of approximately 11.9% from uploading and unloading services for the Reporting Year.

The gross profit margin of the sales of oil products segment recorded for the year ended 31 December 2021 was approximately 5.9% compared to approximately 4.9% for the year ended 31 December 2020. The increase was mainly due to an increase in selling price and service income.

Other Gains — Net

For the year ended 31 December 2021, other gains — net of approximately RMB715,000 (for the year ended 31 December 2020: approximately RMB97,000) consisted mainly of net exchange gains and government grants.

Finance Costs — Net

For the year ended 31 December 2021, the Group's net finance costs of approximately RMB3.3 million consisted mainly of interest expenses for bank borrowings and lease liabilities (for the year ended 31 December 2020: net finance costs: approximately RMB2.3 million).

Selling and Administrative Expenses

Selling and administrative expenses of approximately RMB16.9 million were incurred for the year ended 31 December 2021 compared to approximately RMB16.0 million for the year ended 31 December 2020.

Share of Results of a Joint Venture

The Group recorded a share of loss of a joint venture of approximately RMB2.5 million for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB425,000).

Income Tax Expense

The Group's income tax expense increased by approximately 5.7% from approximately RMB12.7 million for the year ended 31 December 2020 to approximately RMB13.5 million for the year ended 31 December 2021. The increase was primarily attributable to withholding tax of approximately RMB2.3 million provided for dividend payment proposed from a wholly-owned subsidiary for the Reporting Year.

Profit Attributable to Owners of the Company

For the year ended 31 December 2021, the Group's profit attributable to owners of the Company was approximately RMB12.7 million (for the year ended 31 December 2020: approximately RMB20.8 million). The decrease of approximately 38.9% in the Group's profit attributable to owners of the Company for the Reporting Year compared to that for 2020 was mainly due to decrease in gross profit; increase in a share of loss of a joint venture; and increase in income tax expense arising from withholding tax provided for proposed dividend payment from the subsidiary.

Liquidity and Financial Resources

Net Current Assets

The Group recorded net current assets of approximately RMB135.0 million as at 31 December 2021, while the net current assets as at 31 December 2020 was approximately RMB139.1 million.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings were approximately RMB5.7 million as at 31 December 2021 (as at 31 December 2020: approximately RMB45.7 million). The interest-bearing borrowings are expected to facilitate the development of the Group's trade business and the investment in the 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 RMB5.7 million were repayable within 1 year. The gearing ratio (defined as total debt divided by total equity) was approximately 1.9% as at 31 December 2021 (as at 31 December 2020: approximately 12.8%).

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

There were no significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group for the year ended 31 December 2021 (for the year ended 31 December 2020: On 9 October 2020, the Company entered into a deed of joint venture with Fortune Oil PRC Holdings Limited ("Fortune Oil PRC"), pursuant to which the Company and Fortune Oil PRC agreed to form a joint venture by injection of capital of HK$16,500,000 and HK$38,499,999 in Fortune Tian Yuan Petrochemical Limited, respectively. As at 31 December 2020, the formation of joint venture is completed and owned as to 30% and 70% by the Company and Fortune Oil PRC, respectively).

Pledge of Assets and Contingent Liabilities

As at 31 December 2021, the Group had certain pledged assets including certain right-of-use assets and property, plant and equipment with the aggregated carrying amount of RMB41.3 million as collateral for certain banking facilities of the Group granted by a PRC bank (as at 31 December 2020: approximately RMB43.6 million).

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, amounts due from related parties and other payables maintained in Hong Kong dollars.

The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the Reporting Year (during the year ended 31 December 2020: Same).

Human Resources and Remuneration

As at 31 December 2021, the Group employed 247 employees (as at 31 December 2020: 241 employees) with total staff costs of approximately RMB26.9 million incurred for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately RMB23.8 million). The increase was mainly due to an increase in number of headcounts and an increase in social security contributions made in the Reporting Year as no contributions exemption granted in 2021. 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 Company's interim report for the period ended 30 June 2021, Maoming Tianyuan Terminal Operation Company Limited* (茂名市天源碼頭經營有限公司) ("Tianyuan") is still in the process of applying for the state-owned land use right certificate for a parcel of land with a site area of 2,589.3 sq.m. where Tianyuan has constructed office buildings, an internal warehouse and an entrance guard house thereon. 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 of the Company dated 18 May 2018) 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.

Future Plans for Material Investments or Capital Assets

Save for the business plan disclosed in this Annual Report, there is no other plan for material investments or capital assets as at 31 December 2021.

Final Dividend

The Board has proposed a final dividend of RMB0.035 per ordinary share for the year ended 31 December 2021, amounted to RMB21.0 million based on 600,000,000 shares in issue as at 31 December 2021.

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 Tuesday, 7 June 2022 (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 Monday, 20 June 2022.

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 29 March 2022, which is RMB1 to HK$1.22919. Each Eligible Shareholder will receive a dividend of HK$0.04302 per ordinary share.

Annual General Meeting

The annual general meeting (the "AGM") of the Company is scheduled to be held on Friday, 27 May 2022 (the "2022 AGM"). A notice convening the 2022 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 2022 AGM

For the purpose of determining the list of Shareholders who are entitled to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, 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 2022 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, 23 May 2022.

In relation to the Proposed Final Dividend

Subject to approval by the Shareholders in the 2022 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, 2 June 2022 to Tuesday, 7 June 2022, 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, 1 June 2022.

Capital Commitments

As at 31 December 2021, the Group had no capital commitments (as at 31 December 2020: approximately RMB3.5 million).

OUTLOOK AND PROSPECTS

Looking forward, under the co-existence of challenges and opportunities, we will be diligent to consolidate our core businesses and thoughtful to grasp the opportunities of development and expansion gradually.

The Group will continue to broaden cargo sources, diversify cargo varieties and improve operational efficiency. Meanwhile, maintain and promote our high standards in production safety, environmental protection, service quality control, good hygienic environment and risk management measures.

Through precise and effective business development strategies and timely responses to the changes, we are confident with the wisdom and concerted efforts of its management together with all its employees, and the Group will create a more splendid future and strive for maximizing the return and long-term value for its Shareholders.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YANG Jinming (楊金明) ("Mr. Yang"), aged 48, 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 15 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 46, 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, Tian Yuan Energy and Fortune Tian Yuan Petrochemical Limited.

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 41, 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 management in July 2003 from 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 35, 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 48, 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 has also acted as an independent non-executive director of SCE Intelligent Commercial Management Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 606) since June 2021. 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 52, 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 in the School of Economics and Management* (經濟管理學院) of SCNU in September 2012. Since September 2005, she was also appointed as a master postgraduate tutor 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), and acting as an expert in the Guangdong Provincial Expert Committee of "Digital Government" Reform and Construction* (廣東省「數字政府」改革建設專家委員會專家) since May 2018. She was also a committee member of the ninth session of the committee for Guangdong Province in the China National Democratic Construction Association* (中國民主建國會廣東省委員會委員) since June 2017, and a director of the Committee of Population, Medicine, Health, Energy, Resources and Environment* (人口醫藥衛生能源資源環境委員會主任) since 2011.

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會委員) 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 69, 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 had worked as the vice branch manager in Maoming branch of People's Bank of China from March 1993 to August 1995, and as the branch manager of Maoming branch of China Guangfa Bank Co., Ltd. (廣發銀行股份有限公司茂名分行) ("Guangfa Bank") from September 1995 until his retirement in September 2012. He is currently re-engaged by Guangfa Bank as a senior consultant.

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

Save as disclosed above, there is no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules.

* *for identification purpose only*

SENIOR MANAGEMENT

Mr. DING Fuxing (丁富興) ("Mr. Ding"), aged 60, 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 27 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)).

Mr. QIAO Li (譙黎) ("Mr. Qiao"), aged 45, is our chief financial officer and is responsible for financial management of our Group. He joined our Group in April 2020.

Mr. Qiao has over 15 years of experience in accounting and finance. Prior to joining the Company, he worked as an assistant to the general manager and a finance manager in Guangdong Oxiranchem Co., Ltd. (廣東奧克化學有限公司) (a subsidiary of Liaoning Oxiranchem, Inc. (奧克股份有限公司), a company listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300082)) from June 2013 to April 2016. From October 2016 to April 2020, he worked as a chief financial officer in Maoming Shihua East Oil Chemical Co., Ltd.* (茂名實華東油化工有限公司) and Maoming Shunhe Petrochemical Company Limited* (茂名順和石化有限公司).

He completed a top-up program in Accountancy at the Northeast Normal University (東北師範大學) in 2018. He studied finance in the Military Economic Institute of the Chinese People's Liberation Army* (中國人民解放軍軍事經濟學院) from September 1997 to July 1999. He obtained an Intermediate Level Certificate of Speciality in Accounting issued by the Ministry of Human Resources and Social Security of the People's Republic of China ("PRC") and the Ministry of Finance of the PRC in May 2014.

* *for identification purpose only*

COMPANY SECRETARY

Mr. HUNG Chung Wah (洪從華) ("Mr. Hung"), aged 45, was appointed as our company secretary and financial controller on 10 May 2018 and possesses over 20 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 C.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 D.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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Responsibilities

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

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

Composition

During the year ended 31 December 2021 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, the Chairman 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 C.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 C.1.4 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 2021, 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 C.5.1 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. The Directors and the Board Committee members are provided with sufficient resources to discharge their duties and, upon reasonable written request to the Board, are able to seek independent professional advice and other assistance under appropriate circumstances to discharge their duties at the Company's expenses. 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. Such minutes are kept by a duly appointed secretary of the meeting and open for inspection at reasonable time upon receiving notice from relevant Director or Board committee member. 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.

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

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

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

BOARD COMMITTEES

The Board has established three committees, namely, (i) Remuneration Committee, (ii) Nomination Committee, and (iii) Audit Committee with defined terms of reference. The terms of reference of the Board Committees, which explain their respective role and the authority delegated to them by the Board, are available on the websites of the Company and the Stock Exchange.

The 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

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 with reference to their respective work performance and market conditions, 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

Details of the amount of remuneration and pension of each Director paid for the Reporting Year are set out in note 33 to the consolidated financial statements.

NOMINATION COMMITTEE

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

During the Reporting Year, 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. Three Audit Committee meetings have been held to discuss and approve the audit strategies, 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 2020 and for the six months ended 30 June 2021, including the accounting principles and practices adopted by the Group, as well as internal control system and risk management 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)*	3/3
Professor Wu Jinwen	3/3
Mr. Huang Yaohui	3/3

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Directors (including all non-executive 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 28 May 2021, Mr. Su Baihan, Professor Wu Jinwen and Mr. Huang Yaohui retired from office by rotation, 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 and the Board will review the Company's Board diversity policy on, among others, 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. The Board is of the view that the Company's Board diversity policy was effectively implemented during the Reporting Year.

To ensure gender of the members of the Board is diversified and avoid the Board be composed by members of the same gender, the Board aims to appoint or maintain at least 10% of the other gender(s) in the composition of the Board. During the Reporting Year, the Board had achieved such target as the Board comprised 7 members among which 5 were male and 2 was female. In the event a new Director shall be appointed, the Nomination Committee shall identify and recommend candidate(s) to the Board with regard to, among others, the Board's diversity policy and the aforesaid gender composition ratio.

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 59 to 63 of this Annual Report.

EXTERNAL AUDITOR'S REMUNERATION

The Company has engaged PricewaterhouseCoopers as its external auditor for the year ended 31 December 2021 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 2021, 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 2021 was approximately RMB1.5 million. There was no non-audit service fee incurred for the year ended 31 December 2021.

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 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 2021. 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 2021 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.

DISCLOSURE OF INSIDE INFORMATION

The Group strictly follows the requirements of the Securities and Futures Ordinance of (Chapter 571 of the Laws of Hong Kong) (the "SFO") and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclose to the public, such information is kept strictly confidential and can only be accessed by employees on a need-to-know basis. To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and on the Company's website.

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 2021.

ALTERATIONS TO THE CONSTITUTIONAL DOCUMENTS

There had been no alterations to the constitutional documents of the Company during the year ended 31 December 2021.

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 and Communication with the Company

Apart from communicating with the Company through the AGM and EGM, Shareholders may send their enquiries and concerns, proposals at the upcoming general meetings, and their views on other matters affecting the Company 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This is the fourth ESG report of Tian Yaun Group Holdings Limited (the "Company" and collectively with its subsidiaries referred as "the Group"), highlighting its Environmental, Social, and Governance (the "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.

The Group is a well-known terminal operator and one of leading bulk cargo handlers in the Port of Maoming in the Guangdong Province of the People's Republic of China ("the PRC"). It primarily engages in (i) the bulk cargo uploading and unloading services as well as related ancillary value-added services including storage services and leasing of shovel trucks; and (ii) the supply and sales of oil products. This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in Tianyuan Terminal and Zhengyuan Terminal, in the Shuidong port area of the Port of Maoming, the PRC from 1 January 2021 to 31 December 2021, unless otherwise stated.

The board of directors of the Company (the "Board") acknowledges that it has overall responsibility for the Group's ESG strategy and reporting and for evaluating and determining the Group's ESG-related risks. The Group has complied with all the "comply" provisions set out in the ESG Reporting Guide during the Reporting Period.

THE GROUP'S MISSION AND VISION ON SUSTAINABILITY COMMITMENT

With the increasing government support towards a non-state-owned economy with various policies, the Group expects to continue expanding its business operations and production capacity. The Group is committed to maintaining the stability of its business and providing employment opportunities to the communities where the Group operates. The Group strives to nurture a competent workforce and build a safe occupational environment. The Group will continue to increase its focus on sustainability.

The Group ensures strict compliance with any applicable regulations, laws, guidelines and standards. Apart from focusing on the development of its businesses, the Group attaches great importance to social and environmental aspects and is committed to promoting its economic and infrastructure development. Thus, the Group aims to reinforce its operations, management and technology on port activities and facilities

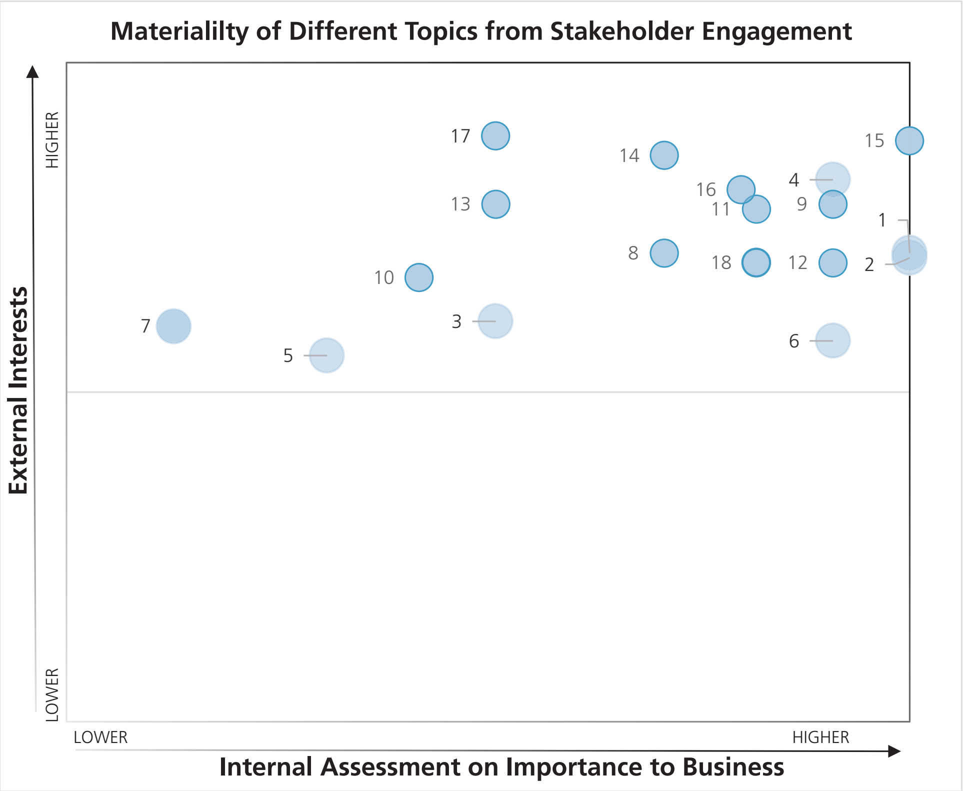
The Group takes notice of all legal and regulatory updates and ensures that it is fully prepared to comply with more stringent regulations.

THE STATEMENT OF THE BOARD OF DIRECTORS

The Company understands that the leadership and participation of the Board is crucial to the implementation of sustainable development strategies. Therefore, the Board shoulders the responsibility of leading and supervising ESG related matters, and is responsible for leading the Group to seize the opportunities and respond to the risks brought by sustainable development. The Board regularly decides on and monitors ESG policies and strategies, including the approval and consideration of the ESG-related goals, progress review of the goals, evaluation and prioritisation of the materiality, etc. At the same time, the Board has approved the establishment of an ESG task force of the Group, and authorised it to monitor and implement various ESG-related matters, so as to further improve the effectiveness of sustainable development governance.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

To identify the most significant aspects, the Group collects views and discusses ESG issues with its internal and external stakeholders through thematic meetings, surveys and regular dialogue. During the Reporting Period, the Group has specifically engaged board members, senior management, frontline staff, suppliers and clients to gain further insights on ESG material aspects and challenges. The Materiality Matrix below shows the result of our materiality assessment process:



Environmental	
A1	Energy
A2	Water
A3	Air Emission
A4	Waste and Effluent
A5	Other Raw Materials Consumption
A6	Environmental Protection Measures

Social	
B1	Employment
B2	Occupational Health and Safety
B3	Development and Training
B4	Labor Standards
B5	Supplier Management
B6	Intellectual Property
B7	Data Protection
B8	Customer Service
B9	Product/Service Quality
B10	Anti-corruption
B11	Community Investment

Among the environmental and social aspects, the following were the top 5 material aspects of the Group's operation:

- Anti-Corruption
- Customer Service
- Data Protection
- Waste and Effluent
- Product/Service Quality

STAKEHOLDERS' FEEDBACK

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

A. ENVIRONMENTAL

A1. Emissions

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

— Air Pollution Prevention and Control Law of the PRC

— Environmental Protection 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 assessments and provide 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 0.76 kg of nitrogen oxides ("NOx") and 6.51 kg of sulphur oxides ("SOx"). Respiratory suspended particles ("PM") emissions were not reported due to lack of information during the Reporting Year.

A1.2 Greenhouse Gas Emissions

The Group's operation contributed to 2,344.11 tonnes of carbon dioxide equivalent ("tCO_2e") (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emission, with an intensity of 0.5712 tCO_2e per thousand tonnes of total cargo throughput.

			2021		2020	
Scope of Greenhouse Gas Emissions	**Emission Sources**		**Emission (in tonnes of carbon dioxide equivalent "tCO_2e")**	**Total Emission (in %)**	Emission (in tonnes of carbon dioxide equivalent "tCO_2e")	Total Emission (in %)
Scope 1 Direct emissions	Combustion of fuels in stationary sources	LPG	**12.48**	**49%**	14.81	49%
	Combustion of fuels in mobiles sources	Diesel	**988.21**		1,121.59	
		Petrol	**81.15**		9.47	
	Release of Refrigerants from Operations		**66.96**		107.71	
Scope 2 Energy indirect emission	Purchased electricity		**1,137.96**	**49%**	1,233.56	48%
Scope 3 Other indirect emissions	Paper waste disposed at landfills		**7.10**	**2%**	2.53	3%
	Electricity used for processing fresh water by third parties		**50.25**		66.59	
	Electricity used for processing sewage by third parties					
	Business air travel by employees		**0**		1.33	
Total			**2,344.11**	**100%**	**2,557.59**	**100%**

Note 1: Emission for the combustion of natural gas in stationary source was calculated with emission factors from Greenhouse Gas Protocol Calculation Tool — GHG Emissions from Stationary Combustion (Chinese fuel).

Note 2: Combined margin emission factor of 0.6101 tCO_2/MWh was used for purchased electricity national grid of China.

Note 3: Emission factors were referred to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

A1.3 Hazardous Waste

A total of 200 tonnes of hazardous waste was generated from the Group's production. The hazardous wastes generated by the Group's business activities consisted of oil waste from operating machines. Hazardous waste is collected by a third party licensed handler for recycling.

A1.4 Non-hazardous Waste

The group generated 1,478.45 kg of paper waste during the reporting period.

A1.5 Measures to Mitigate Emissions

The Group manages its carbon footprint by minimizing its energy consumption. The Group is purchasing and renting new energy-saving vehicles for work operations and staff for their daily commute. In addition, the Group has undertaken the following measures to minimize emissions:

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 limits;

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

The Group has set a target of reducing total emissions per tonne produced by the Group by 3% tCO_2e per year over the next 10 years.

A1.6 Waste Handling and Reduction Initiatives

Waste generation was minimal during the daily operations of the facilities. The Group properly manages and disposes of all waste produced in its operation. During the Reporting Period, all hazardous waste, namely waste oil from vehicle operations, was collected and repurposed by qualified parties. Non-hazardous waste was collected and incinerated by qualified waste companies. The Group is gradually adopting a paperless office culture to further reduce the environmental impact caused by general office operations. Initiatives such as recycling and reusing paper and office waste, sorting waste into distinct categories and reducing food wastage are all being implemented. The Group will continue to its effort to reduce waste in its operation by encouraging staff to make use of public transport wherever possible and encourage double sided printing to reduce paper waste. The Group has a set a target of reducing waste per tonne by 3% over the next 10 years.

A2. Use of Resources

Waste is handled following strict procedures in a controlled environment by qualified and experienced personnel. Energy conservation policies are implemented throughout the Group by switching to cleaner fuels and wastewater is recycled wherever possible.

A2.1 Energy Consumption

Energy Consumption Sources	**Consumption (in various unit)**	**Consumption (in kilowatt hours "kWh")**
Electricity	1,865,197kWh	1,865,197
LPG	4,136 kg	57,650
Petrol	30,418 litres	363,917.6
Diesel	376,335 litres	4,458,733
TOTAL		**6,745,497.6**

The Group's business operations resulted in a total energy consumption of 6,745,497.6 kWh from the use of diesel, electricity, LPG, and petrol, with an energy intensity of 1,643.6 kWh per thousand tonnes of total cargo throughput. 1,865,197 kWh of electricity was consumed for daily office and terminal operations; 4,136 kg of LPG was used at canteen; and 30,418 litres of petrol and 376,335 litres of diesel were used for Group-owned light goods vehicles and other mobile machineries such as forklifts.

A2.2 Water Consumption

The total water consumption for the Group was 120,496 m^3, with an overall intensity of 29.36 m^3 per thousand tonnes of total cargo throughput during the reporting period. The Group sourced water for industrial use from nearby municipal water supply plants and was mainly used for on-site dust compression. There was no issue in sourcing water during the Reporting Period.

A2.3 Energy Use Efficiency Initiatives

During the last two Reporting Years, electrically operated cranes have replaced fossil-fuelled machines. The Group closely monitors and reviews current energy consumption settings and systems and will set up policies and procedures in the coming years. Currently, the following management measures are in place to reinforce the Group's energy saving practices for the overall environmental benefit of the Planet:

Fuel Saving Measures

— Ensuring 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 condition to achieve greater fuel efficiency;

— Improve drivers' driving technique 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

— Ensure that electrical appliances are put in standby mode, eliminate unnecessary consumption.

A2.4 Water Use Efficiency Initiatives

To reduce fresh water consumption, wastewater at terminals is collected and treated onsite 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 onsite.

The group has also implemented the following water efficiency initiatives:

- Require all the staff to switch off water taps if water-leakage is observed in all the areas of the workplace. All problems are reported to the related department and arrangements to repair them are taken. Water supply facilities are regularly inspected and the results to the management each time.

- Conduct technological cleaning before mass washing of a facility, according to water-saving standards, and provide manual assistance.

- Strictly control the use of water and reduce pollution by sewage emission.

- Utilising the water pump washing machine to wash vehicles and equipment. Avoid washing them by using fire-fighting water directly in order to reduce water consumption.

The Group will further explore further measures to reduce water consumption at terminal operations in the coming years.

A2.5 Packaging Material

The Group's business operations did not involve the use of packaging materials during the reporting period and hence no data or information is presented in this ESG report.

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

The Group engaged external consultant to conduct an environmental incident risk assessment for the terminal operations, to better understand its business impact on the environment and natural resources. Such assessments are subject to regular review and the future development of management measures and policies to further minimise the Group's overall environmental impact.

A4. Climate Change

A warming planet creates a wide range of risks for business, from disrupted supply chains to rising insurance costs to labour challenges. With the increasing threat of climate change and the associated physical damage, change in market perception and shift in preference of the public towards more environmentally friendly products and services, the financial, reputational and strategic risk implications are becoming increasingly prominent. Climate change will undoubtably be of increasing concern to the Group and the industry for the foreseeable future.

During extreme heatwaves, the Group provides monetary subsidies to alleviate employees hardship, including offering refreshments such as herbal teas and desserts.

The Group has identified the following risks that climate change poses.

Physical Risks

The impact of global warming can be seen in the melting of polar ice caps leading to rising sea levels and geological events, including stronger and more frequent storms and hurricanes. Rising sea levels will affect the operational viability of port operations in the future. Additionally, the condition of the global economy due to significant climate change may be a significant factor in terms of throughput for the Group.

Transition risk

Transition risk refers to the financial risk related to the process of adjustment towards a lower-carbon economy which can be prompted by, for example, changes in climate policy, technological changes or a change in market sentiment. Revenues may be affected by changing consumer behaviour and regulatory changes. Additionally, costs and the availability of raw materials may have a negative impact on revenue streams in the future.

The shipping industry is under pressure from new regulations to drastically reduce sulphur emissions, and research into new non-fossil fuels. The response of the shipping industry is quite slow in the past decade. Large cargo ships take a long time to build and are significant financial investment. Those commissioned ten years ago cannot realistically be scrapped to meet targets in the future which may hinder their accessibility in some of the terminals that is heavily regulated. Incomes of terminals would be jeopardised by the tightening of the regulations in the future.

Opportunities

Road transportation in its present form is the most environmentally harmful form of logistics because of its widespread nature. Aeroplanes are the next worst, producing a range of pollutants including water vapour, carbon, nitrogen and sulphur oxides, hydrocarbon, black carbon and even lead. Ship also produces large amounts of sulphur and nitrogen oxide but the carbon footprint per unit goods is much lower than road and flight transportation. As major logistics company like DHL has committed to achieving zero emission by 2050, we can foresee that more and more non-urgent goods will opt for sea transportation. Terminal operator will benefit from the paradigm shift at least in the coming 20 years.

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

The Group had a total of 231 employees as of 31 December 2021, with all employees full-time in 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 following

— 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

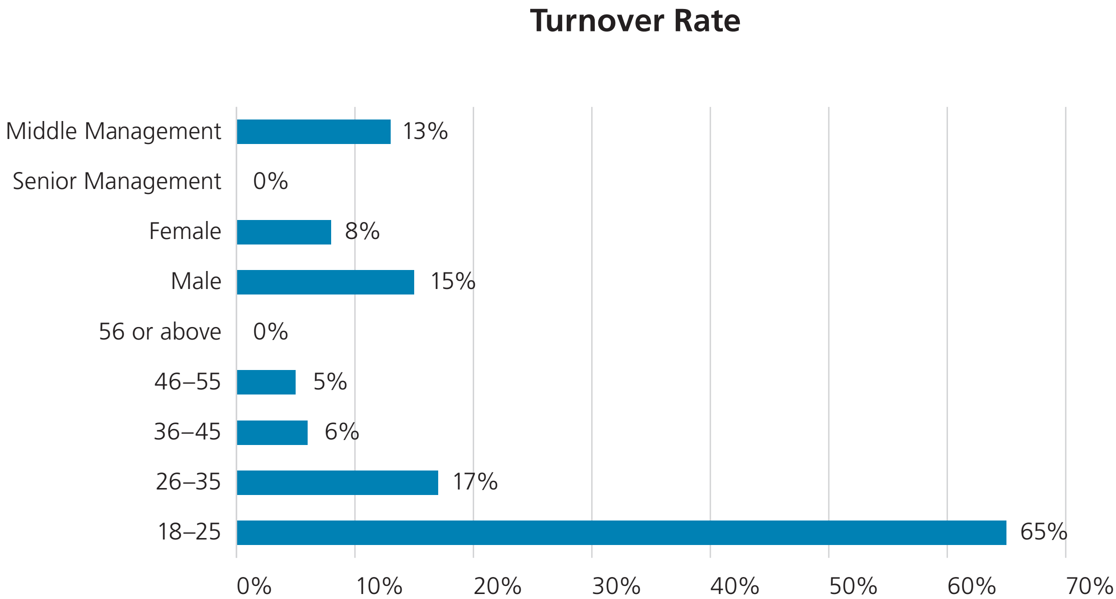
— Discrimination (Employment and Occupation) Convention

During the Reporting Period, the total workforce by employment category, age group and gender are as follows:

Workforce	**2021**	2020
By Gender		
Female	**16%**	16%
Male	**84%**	84%
By Employee Category		
Senior Management	**1%**	1%
Middle Management	**10%**	11%
Frontline and other Employees	**89%**	88%
By Age Group		
18–25	**7%**	9%
26–35	**36%**	39%
36–45	**35%**	32%
46–55	**19%**	16%
56 or above	**3%**	4%

Turnover

A total number of 29 full-time employees from the PRC left the Group during the Reporting Period, representing an annual turnover rate of 12.55%. The employee turnover rate by employee category, gender, and age group are detailed in the table below:



Compensation and Benefits Package

The Group believes that employees are important assets, upon which the Group can develop further. Therefore, the Group ensures the remuneration is in line with the market rate to attract and retain top employees. Employees are entitled to basic social insurance in Mainland China. The Group has increased the rate of sickness allowance. To retain talent, the Group alerts current employees of any position opening before posting the role externally. The remuneration structure is "merit-based" and set objectively based on the employee's position and performance. Employees are awarded with a year-end bonus based on their annual review results.

Appraisal System

Two individual appraisal systems were put forward to evaluate the management team and frontline staff separately with different focuses. Both the upwards appraisal and top-down appraisal were used for the management team evaluation. In this manner, the managers' performance is evaluated by supervisors while subordinates can express opinions and concerns.

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 procedures are in place, and the Group strives to treat all employees equally, without any form of workplace discrimination.

Staff Communication

The Group believes that workplace communication is of paramount importance to enhance the effectiveness of operations and production. The Group organizes an annual meeting, and team outings to improve communication and build stronger bonds between employees. These communication channels and activities improve teamwork and enhance working efficiency.

B2. Employee Health and Safety

The Group recognises the importance of occupational health and safety and strives to provide a safe working environment to its employees. The Group strictly complies with national and local laws, regulations and practice, including but not limited to the Law of the PRC on the Prevention and Control of Occupational Diseases, and the Production Safety Law of the PRC (which was amended by the government and came into effect on 1 September 2021) During the Reporting Period, there was no material non-compliance in relation to health and safety laws and regulations.

	2021	2020	2019
Work related fatality	**0**	0	0
Work injury cases ≥3 days	**0**	1	0
Work injury cases <3 days	**0**	0	0
Lost days due to work injury	**0**	60	0

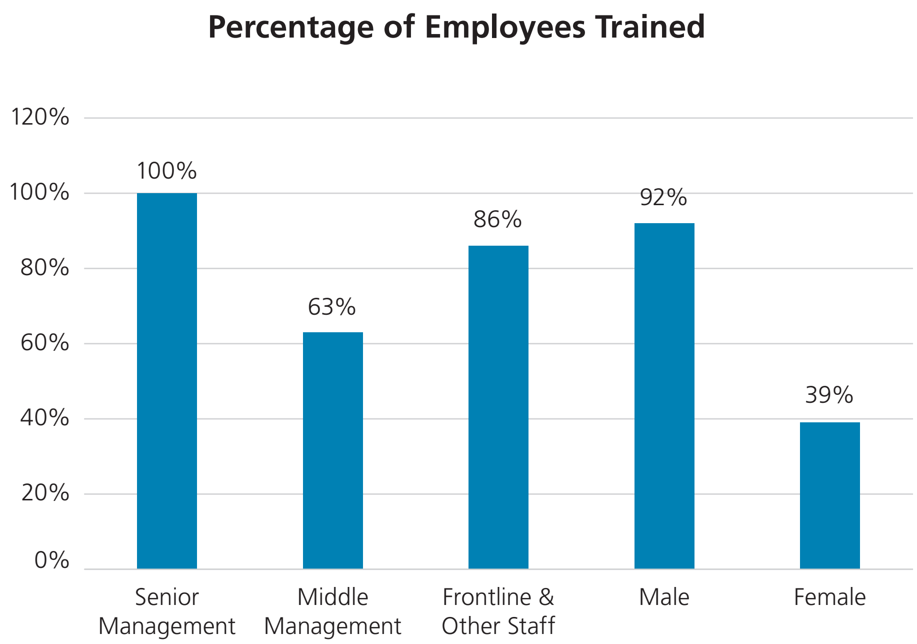
The Group's Safety Production Management Manual has stated the Group's leadership and each department's responsibilities on safety procedures and production. It also provides safety related targets, monitoring and evaluation parameters, rewards and punishment, documentation, equipment repair and maintenance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

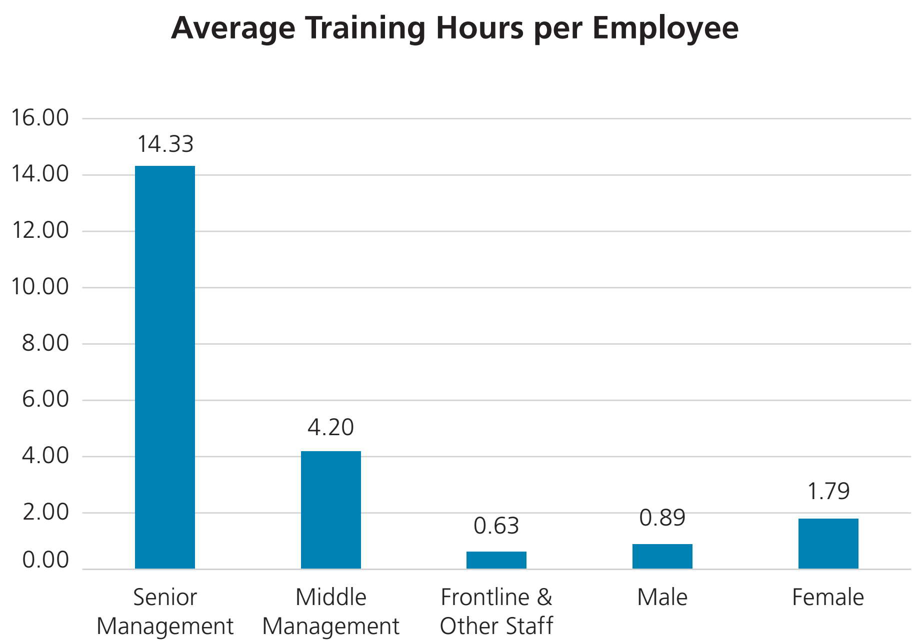
Personal protection equipment (PPE) is provided to every employee according to their work positions, and there are clear corporate regulations on the purchase, distribution, usage, replacement, and disposal of PPE. Local government procedures on occupational health and safety are followed to carry out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

B3. Development and Training

The Group provides continuous training and development programmes for its employees to enhance their expertise and problem-solving skills. Training and development programmes, including but not limited to on-job training, drill and practice, and seminars are arranged and held by internal and outside professionals. Training topics included management level training such as improvement of personnel and financial management skills; operators' training on job skills promotion; and occupational health and safety training for all employees. Evaluation is conducted after training.

During the Reporting Period, the Group provided a total of 240 hours of training to 193 employees. The details of staff training for 2021 are as follows:





B4. Labor Standards

The Group strictly complies with the Provisions on the Prohibition of Using Child Labor and other laws and regulations relating to the labor standards in the PRC. The Human Resources Department conducts background checks on every new employee during the recruitment process to ensure compliance with any applicable labor laws in Mainland China, such as the Labour Law of the PRC and the Trade Union Law of the PRC regarding the collective contracts on wage, occupational disease prevention and protection of female employees. There was no material non-compliance relating to children or forced labour in the Reporting Period.

2. Operating Practices

B5. Supply Chain Management

The Group understands that proper management of our supply chain brings positive impact to the Group, the society, and the environment. To ensure the supplier's capabilities in providing qualified products, the Group has established a supply chain management system. It evaluates the qualifications of suppliers and their product quality every year, ensuring that they continue to meet the suppliers' standards. Qualified suppliers are updated and kept on the list for selection. Any suppliers who fail to meet the evaluation and standards for their performance twice are eliminated from the qualified supplier list. In addition, in the daily work, information of potential suppliers is collected and will be further evaluated if needs arise.

All suppliers are evaluated according to not only conformance to all applicable statutory and regulatory requirements, but also on their environmental credentials. If a supplier is deemed to be in non-performance of its social and environmental obligations, it will be asked to rectify the failure as soon as is practical. If non-conformance continues, the supplier will be removed from the supply chain.

During the Reporting Period, the Group engaged 90 suppliers all from Mainland China for:

- Mechanical components,
- Materials for water and electricity construction,
- Sub-contractors.

B6. Product Responsibility

The Group is committed to offering products and services with high standards of safety, quality and reliability. During the Reporting Period, the Group did not note any cases of material non-compliance regarding health and safety, advertising, labelling and privacy matters relating to products and services provided as required by related laws and regulations.

Intellectual Property Rights

The Group is committed to protecting the intellectual property rights of our products and production methods and respecting the intellectual property rights of other parties. Any infringements will be thoroughly investigated by senior management, and legal action will be taken where necessary. During the year, there were no reported cases of infringement of intellectual property rights, patents or trademarks.

Consumer Data Protection

The Group endeavours to protect the personal data of its customers. The Group has determined the right to access the customer's personal data. Employees are strictly prohibited from accessing or disclosing customer's personal data without authorization. Internal encryption system is used for data transmission, preventing interception of unauthorized users. During the year, the Group complied with all relevant laws and regulations relating to information security that has significant impact on the Group.

B7. *Anti-corruption*

The Group has formulated a formal policy on the conduct of its employees to prevent any potential bribery, extortion, fraud, money laundering and gambling. The policy sets out the responsibilities of those who work for the Group regarding observing and upholding a zero-tolerance position on issues related to bribery and corruption. Any act of corruption is to be condemned strongly. The policy is applicable to all stakeholders, including but not limited to, all employees (whether temporary, fixed-term, or permanent), consultants, contractors, or any other person(s) associated with the Group. The Group makes sure its employees are committed to acting professionally, fairly, and with integrity in all business dealings and relationships, anywhere the Group operates. The Group continues to supervise and conduct regular checks in terms of contracts, suppliers' quotations, and payment status.

The Group has difficulty to convene face to face anti-corruption training during the Covid-19 crisis. However, we've engaged with third party consultant and have distributed anti-corruption training material to our management and senior staff.

There was no concluded legal case regarding corrupt practices brought against the Group or its employees, and no noted cases of non-compliance with the applicable laws and regulations relating to money laundering or corruption during the Reporting Period.

B8. *Community Investment*

The Group does not have any specific policies on community engagement. Nevertheless, it attaches great importance to the responsibility to work in partnership with local communities. During the Reporting Period, the Group arranged the following events and donations:

Activities in the reporting period	Beneficiary/Collaborators/ Partner organizations	Detailed resources input
Give a flag to Dianbai No.2 People's Hospital	Dianbai No.2 People's Hospital	A flag and baskets of fruit
Money donation for examination centre construction	Dianbai Nanhai Middle School	RMB30,000
Money Donation for "6.5" World Environment Day	Dianbai Environmental Sciences Association	RMB8,000
2021 annual teaching fee	Nanhai Sub-district Office	RMB15,000

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. The Group may be subject to intensifying 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 handled, 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 Reporting Year.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries principally engage 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 statement of comprehensive income on page 64 of this Annual Report.

The state of affairs of the Group as at 31 December 2021 is set out in the consolidated balance sheet on pages 65 to 66 of this Annual Report.

The cash flows of the Group for the Reporting Year are set out in the consolidated statement of cash flows on page 68 of this Annual Report.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 23 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 32 and note 24 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 130 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, Mr. Yang Jinming, 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 33 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 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 2021, 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 2021, 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 2021, 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 Sino Ford Enterprises Limited for the purpose of the SFO.

Save as disclosed above, as at 31 December 2021, 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 ("Mr. Yang", together with Sino Ford referred to as 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 Reporting Year, save for Mr. Yang's existing business ("Tianyuan Petrochemical's Existing Business") of oil processing carried out by Maoming Tianyuan Petrochemical Company Limited ("Tianyuan Petrochemical"), a limited company established in the PRC and wholly-owned by Mr. Yang which may compete with the supply and sales of oil products business as detailed in the section headed "Directors' Report — Controlling Shareholders' Interest" in the annual report of the Company for the year ended 31 December 2019, the Controlling Shareholders and/or his or their associates did not engage, participate or hold any right or interest in any business in competition with or likely to be in competition with the existing business of the Group.

During the Reporting Year, Mr. Yang and Tianyuan Petrochemical had reported to the Board on the operation of Tianyuan Petrochemical's business every half year. 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.

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 Reporting Year are set out in note 31 to the consolidated financial statements of this Annual Report. These related party transactions also constitute fully exempted connected transactions or continuing connected transactions. The fully exempted 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.

Non-exempt Continuing Connected Transactions

On 13 March 2020, Maoming Tianyuan Terminal Operation Company Limited* (茂名市天源碼頭經營有限公司) ("Tianyuan") and Maoming Zhengyuan Trade Development Company Limited* (茂名市正源商貿發展有限公司) ("Zhengyuan"), both being subsidiaries of the Company, entered into (i) a terminal uploading and unloading services framework agreement with Maoming Tianyuan Trade Development Company Limited* (茂名市天源商貿發展有限公司) ("Maoming Tianyuan"); and (ii) a terminal uploading and unloading services framework agreement with Maoming Tianyuan Petrochemical Company Limited* (茂名天源石化有限公司) ("Tianyuan Petrochemical"). Thereafter on 24 July 2020, Tianyuan, Zhengyuan, Maoming Tianyuan and Tianyuan Petrochemical entered into a supplemental framework agreement (the "Supplemental Framework Agreement" together with the aforesaid two framework agreements, the "Framework Agreements") to amend the aforesaid two framework agreements. On the respective signing date of the Framework Agreements, Tianyuan Petrochemical is a wholly-owned subsidiary of Maoming Tianyuan, which is in turn owned as to 95% by Mr. Yang, an executive Director, the chairman of the Board, the chief executive officer and the controlling shareholder of the Company. Accordingly, both Tianyuan Petrochemical and Maoming Tianyuan are connected persons of the Company and the transactions contemplated under the Framework Agreements constituted continuing connected transactions of the Company.

Pursuant to the Framework Agreements, Tianyuan and Zhengyuan agreed to provide terminal uploading and unloading services to Maoming Tianyuan and Tianyuan Petrochemical for a term from the date of the Supplemental Framework Agreement to 31 December 2022, and the annual caps for the 3 years ending 31 December 2022 were agreed to be RMB11,000,000, RMB14,000,000 and RMB17,000,000, respectively.

Details of the said continuing connected transactions under the Framework Agreements are set out in the Company's announcements dated 13 March 2020, 20 March 2020 and 24 July 2020, and the circular dated 14 August 2020.

The independent non-executive Directors have reviewed the aforesaid continuing connected transactions and confirmed the same 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 aforesaid continuing connected transactions: (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 the Annual Cap of the Reporting Year.

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 Reporting 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 RMB0.035 per ordinary share for the year ended 31 December 2021, amounted to RMB21,000,000 based on 600,000,000 shares in issue as at 31 December 2021.

The proposed final dividend will be paid to Shareholders whose names appear on the register of members of the Company on 7 June 2022, 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 20 June 2022.

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 29 March 2022, which is RMB1 to HK$1.22919. Each Eligible Shareholder will receive a dividend of HK$0.04302 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 Reporting Year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	55.5%	Not applicable
Five largest customers in aggregate	77.7%	Not applicable
The largest supplier	Not applicable	51.8%
Five largest suppliers in aggregate	Not applicable	92.9%

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 2021 amounted to approximately RMB158.4 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 Reporting Year.

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 2021.

ANNUAL GENERAL MEETING

The 2022 AGM of the Company is scheduled to be held on Friday, 27 May 2022. A notice convening the 2022 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 2022 AGM

For the purpose of determining the list of Shareholders who are entitled to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022 (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 2022 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, 23 May 2022.

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, 2 June 2022 to Tuesday, 7 June 2022, 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, 1 June 2022.

DONATIONS

During the Reporting Year, the charitable donation made by the Group amounting to approximately RMB53,000.

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 2021 and up to the date of this Annual Report.

SUBSEQUENT EVENT

There was no significant event took place after the end of the Reporting Year and up to the date of this Annual Report.

AUDIT COMMITTEE

The Company's Audit Committee comprises of three independent non-executive Directors, namely Mr. Pang Hon Chung (as chairman), Professor Wu Jinwen and Mr. Huang Yaohui. The consolidated financial statements of the Group for the year ended 31 December 2021 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 2022 AGM.

On behalf of the Board

Yang Jinming
Chairman and Chief Executive Officer

Hong Kong, 29 March 2022

pwc

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Tian Yuan Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 64 to 129, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 2021, 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 of the expected credit losses of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the expected credit losses of trade receivables	
Refer to Note 4(c) "Critical accounting estimates and judgments — Estimated impairment of trade receivables" and Note 17(a) trade receivables to the consolidated financial statements. As at 31 December 2021, the Group's gross trade receivables amounted to RMB8,273,000, with no provision made. The Group applied the simplified approach under HKFRS 9 to measure the lifetime expected credit losses of trade receivables. Management estimated the expected credit losses based on estimation about risk of default and expected loss rates, and judgment was used in making these assumptions and selecting the inputs to the impairment calculation, taking into account the ageing of trade receivables, customers' repayment history, their current financial position as well as their expected operating results and ability to meet the obligation. We focused on this area due to the complexity of models and subjectivity of significant assumptions and data used in the estimation of expected credit losses.	We obtained an understanding of management's internal control and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity of models, subjectivity of significant assumptions and data used; We evaluated and validated the key controls in place, including management's ageing analysis review and regular assessment on recoverability; We tested, on a sampling basis, the accuracy of the trade receivables ageing report by examining the related contracts, invoices and weighting documents of the uploading and unloading services; We challenged management's estimation of the risk of default and expected credit losses rates and performed our independent evaluation. We corroborated management's assessment by reviewing individual customer's credit profile and payment history; We checked individual customer's subsequent settlements. For the customers with no subsequent settlement made, we also reviewed these customers' public credit reports to evaluate their financial capability; We evaluated whether the historical loss rates were appropriately adjusted for the forward looking factors, such as the customers' expected operating results and their ability to meet the obligation. Based on the work performed, we found the models, significant assumptions and data applied by management in the assessment of the expected credit losses of trade receivables were 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, actions taken to eliminate threats or safeguards applied.

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 Au Chi Ho, Owens.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021
(All amounts expressed in RMB unless otherwise stated)

		Year ended 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Revenue	*5*	**295,099**	173,523
Cost of sales	*7*	**(239,439)**	(112,245)
Gross profit		**55,660**	61,278
Other gains — net	*6*	**715**	97
Selling and administrative expenses	*7*	**(16,937)**	(16,029)
Operating profit		**39,438**	45,346
Finance costs — net	*9*	**(3,296)**	(2,327)
Finance income		**42**	20
Finance costs		**(3,338)**	(2,347)
Share of results of a joint venture	*15*	**(2,499)**	(425)
Profit before income tax		**33,643**	42,594
Income tax expense	*10*	**(13,458)**	(12,733)
Profit for the year		**20,185**	29,861
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**20,185**	29,861
Profit and total comprehensive income attributable to:			
Owners of the Company		**12,718**	20,808
Non-controlling interests	*25*	**7,467**	9,053
		20,185	29,861
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	*11*	**0.0212**	0.0347

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2021
(All amounts expressed in RMB unless otherwise stated)

		As at 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*12*	**157,897**	156,106
Right-of-use assets	*13*	**48,955**	50,162
Intangible assets	*14*	**167**	202
Investment in a joint venture	*15*	**10,965**	13,464
Prepayments	*19*	**1,410**	2,486
Deferred income tax assets	*16*	**8**	6
		219,402	222,426
Current assets			
Trade and other receivables and amounts due from related parties	*17*	**15,381**	33,474
Inventories	*18*	**—**	149,462
Prepayments and other assets	*19*	**803**	739
Restricted cash	*20*	**1,130**	1,130
Term deposits	*21*	**801**	2,273
Cash and cash equivalents	*22*	**145,998**	38,801
		164,113	225,879
Total assets		**383,515**	448,305
EQUITY			
Equity attributable to owners of the Company			
Share capital	*23*	**4,895**	4,895
Share premium	*23*	**184,478**	204,878
Other reserves	*24*	**(20,005)**	(20,934)
Retained earnings		**132,420**	120,631
		301,788	309,470
Non-controlling interests	*25*	**51,743**	51,476
Total equity		**353,531**	360,946

CONSOLIDATED BALANCE SHEET

As at 31 December 2021
(All amounts expressed in RMB unless otherwise stated)

		As at 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	*13*	**555**	322
Deferred income tax liabilities	*16*	**271**	281
		826	603
Current liabilities			
Amounts due to a related party	*26*	**—**	225
Trade and other payables and accruals	*26*	**12,109**	13,964
Borrowings	*27*	**5,700**	45,700
Contract liabilities	*5*	**1,393**	19,290
Current income tax liabilities		**7,279**	7,494
Lease liabilities	*13*	**367**	73
Deferred income tax liabilities	*16*	**2,310**	10
		29,158	86,756
Total liabilities		**29,984**	87,359
Total equity and liabilities		**383,515**	448,305

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

The financial statements on pages 64 to 129 were approved by the Board of Directors on 29 March 2022 and were signed on their behalf.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021
(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 24(a))* RMB'000	Capital surplus *(Note 24(b))* RMB'000	Statutory surplus reserve *(Note 24(c))* RMB'000	Production safety reserve *(Note 24(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 2020										
As at 1 January 2020	4,895	224,078	(64,894)	31,021	5,500	7,068	100,194	307,862	48,823	356,685
Profit and total comprehensive income for the year	—	—	—	—	—	—	20,808	20,808	9,053	29,861
Appropriation to production safety reserve	—	—	—	—	—	371	(371)	—	—	—
Dividends to owners of the Company *(Note 28)*	—	(19,200)	—	—	—	—	—	(19,200)	—	(19,200)
Dividends to non-controlling interests in subsidiaries *(Note 25(a))*	—	—	—	—	—	—	—	—	(6,400)	(6,400)
As at 31 December 2020	4,895	204,878	(64,894)	31,021	5,500	7,439	120,631	309,470	51,476	360,946
For the year ended 31 December 2021										
As at 1 January 2021	**4,895**	**204,878**	**(64,894)**	**31,021**	**5,500**	**7,439**	**120,631**	**309,470**	**51,476**	**360,946**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**12,718**	**12,718**	**7,467**	**20,185**
Appropriation to production safety reserve	**—**	**—**	**—**	**—**	**—**	**929**	**(929)**	**—**	**—**	**—**
Dividends to owners of the Company *(Note 28)*	**—**	**(20,400)**	**—**	**—**	**—**	**—**	**—**	**(20,400)**	**—**	**(20,400)**
Dividends to non-controlling interests in subsidiaries *(Note 25(a))*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(7,200)**	**(7,200)**
As at 31 December 2021	**4,895**	**184,478**	**(64,894)**	**31,021**	**5,500**	**8,368**	**132,420**	**301,788**	**51,743**	**353,531**

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 2021
(All amounts expressed in RMB unless otherwise stated)

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flow from operating activities			
Cash generated from/(used in) operations	*29*	**202,352**	(47,929)
Interest received		**42**	20
Interest paid		**(3,258)**	(2,301)
Income tax paid		**(11,385)**	(11,297)
Net cash generated from/(used in) operating activities		**187,751**	(61,507)
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment		**26**	—
Purchases of property, plant and equipment and right-of-use assets		**(12,763)**	(8,337)
Purchases of intangible assets		**—**	(31)
Decrease in term deposits		**1,472**	591
Increase in amounts due from related parties		**(1,268)**	—
Capital contribution made to a joint venture		**—**	(13,889)
Net cash used in investing activities		**(12,533)**	(21,666)
Cash flows from financing activities			
Proceeds from borrowings		**45,700**	85,700
Repayments of borrowings		**(85,700)**	(60,000)
Dividends paid to the owners of the Company		**(20,400)**	(19,200)
Dividends paid to non-controlling interests in subsidiaries		**(7,200)**	(6,400)
Increase in restricted cash		**—**	(1,130)
Principal elements and interest elements of lease payments		**(421)**	(519)
Net cash used in financing activities		**(68,021)**	(1,549)
Net increase/(decrease) in cash and cash equivalents		**107,197**	(84,722)
Cash and cash equivalents at beginning of the year		**38,801**	123,523
Cash and cash equivalents at end of the year	*22*	**145,998**	38,801

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 Windward 3, Regatta Office Park, 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 holding company of the Company is Sino Ford Enterprises Limited, which was incorporated in the British Virgin Islands. The ultimate controlling shareholder of the Group is Mr. Yang Jinming ("Mr. Yang" or the "Controlling Shareholder").

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 29 March 2022.

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 2021:

• Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(All amounts expressed in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 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
Amendments to HKFRS 16	COVID-19-related Rent Concessions beyond June 30, 2021	April 1, 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020	January 1, 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	January 1, 2022
Accounting guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	January 1, 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
HKFRS 17	Insurance Contract (new standard and amendments)	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	January 1, 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single Transaction Tax	January 1, 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

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 recognises 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 recognised 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 unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 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.

2.2.3 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint venture is accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting *(Continued)*

2.2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its joint venture are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.7.

2.3 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.

2.4 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.

(All amounts expressed in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(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 recognised 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'.

2.5 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 recognised 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 derecognised. 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)*

2.5 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 recognised within 'other gains — net' in the consolidated statement of comprehensive income.

2.6 Intangible assets

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

2.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 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 amortised cost.

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

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

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised 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 amortised 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 recognised from initial recognition of the receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise 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.

2.10 Inventories

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

2.11 Trade and other receivables and amounts due from related parties

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 related parties is expected in one year or less (or within the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

2.12 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 recognised 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 recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.13 Other asset

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Cash and cash equivalents, term deposits and restricted cash

In the consolidated statement 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 sheet.

Bank deposits which are restricted to use are included in "restricted cash" in the consolidated balance sheet.

Term deposits and restricted cash are excluded from cash and cash equivalents.

2.15 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.

2.16 Trade and other payables and accruals and amounts due to a related party

Trade and other payables and accruals and amounts due to a related party 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 and amounts due to a related party 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 and accruals and amounts due to a related party are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised 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 capitalised as a prepayment for liquidity services and amortised 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 recognised 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised 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 capitalisation.

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

2.19 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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 recognised 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 realised or the deferred income tax liability is settled.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Current and deferred income tax *(Continued)*

(b) ***Deferred income tax*** *(Continued)*

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 recognised 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 utilised.

(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.

2.20 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.

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the Schemes.

(b) ***Bonus plan***

Provisions for bonus plan due wholly within twelve months after the end of the reporting year is recognised 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 recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits *(Continued)*

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised 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 recognised until the time of leave.

2.21 Provisions

Provisions are recognised 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 recognised 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 recognised 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 recognised as interest expense.

2.22 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 recognises 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 recognises 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 recognise the revenue respectively when the individual contract obligations are satisfied.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition *(Continued)*

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 summarised as follows:

(a) Provision of services

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

(b) Rental income

Rental income on assets leased out under operating leases is recognised 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 recognised when the control of goods is transferred to the buyer.

Service income is recognised 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 recognise 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 recognise 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.

2.23 Leases

Leases are recognised 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Leases *(Continued)*

- 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.

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 recognised 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 without a purchase option.

Rental income from operating leases where the group is a lessor is recognised 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 recognised 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Government grants

Grants from the government are recognised 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 recognised in the consolidated profit or loss over the year necessary to match them with the costs that they are intended to compensate.

2.25 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).

2.26 Dividend distribution

Dividend distribution to the group company's shareholders is recognised 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 minimise 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk (Continued)

(a) *Foreign exchange risk (Continued)*

Other than accruals of RMB260,000 and RMB263,000 as at 31 December 2021 and 2020 which were denominated in HK$ and cash and cash equivalents and term deposits of RMB1,634,000 and RMB3,004,000 as at 31 December 2021 and 2020 which were denominated in HK$, and non-trade receivables due from related parties of RMB1,268,000 and nil as at 31 December 2021 and 2020 which were denominated in HK$, the Group had no other material foreign currency denominated assets and liabilities. As at 31 December 2021 and 2020, if RMB had weakened/strengthened by 5% against HK$ with all other variables held constant, the post-tax profit for the year ended 31 December 2021 and 2020 would have been RMB132,000 and RMB137,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ 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 2021 and 2020 ranged from 0.35% to 0.01%. Any changes in interest rates are not considered to have significant cash flow interest rate risk to the Group.

As at 31 December 2021 and 2020, the annual interest rate of the Group's term deposits balance was 1.88% and 0.34% 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 2021 and 2020, the annual interest rate of the Group's borrowings balance was 6.50% and 7.30% 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 deposits, restricted cash, trade and other receivables and amounts due from related parties.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(i) Cash and cash equivalents, term deposits and restricted cash

As at 31 December 2021 and 2020, 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 2021 and 2020 are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Big four commercial banks *(Note (i))*	**142,606**	36,600
Other listed banks	**4,111**	4,439
Other non-listed banks	**1,207**	1,160
	147,924	42,199

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

(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 related parties for provision of uploading and unloading services and related ancillary value-added port services.

For the trade receivables from third parties and related parties, 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.

(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 (Continued)

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 2021 and 2020	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days
Expected loss rate	0.1%	0.5%	1.5%	3.0%	5.0%

No provision was made for the trade receivables as at 31 December 2021 and 2020 as the loss allowance provision for these balances was not material.

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

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

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the company's ability to meet its obligations;
- actual or expected significant changes in the operating results of the company;
- significant changes in the expected performance and behavior of the company, including changes in the payment status of the third party.

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

(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 related parties (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 2021 and 2020, management considers 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 recognised.

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 analyses 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 2021					
Borrowing	**6,023**	**—**	**—**	**—**	**6,023**
Trade and other payables and accruals (excluding accrual for staff costs and allowances and other tax payables)	**4,252**	**—**	**—**	**—**	**4,252**
Lease Liabilities	**422**	**422**	**171**	**—**	**1,015**
	10,697	**422**	**171**	**—**	**11,290**

	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 2020					
Borrowing	48,610	—	—	—	48,610
Trade and other payables and accruals (excluding accrual for staff costs and allowances and other tax payables)	6,214	—	—	—	6,214
Lease Liabilities	98	98	270	—	466
Amounts due to a related party	225	—	—	—	225
	55,147	98	270	—	55,515

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 2021 and 2020 is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Total debt	**6,622**	46,095
Total equity	**353,531**	360,946
Gearing ratio	**1.9%**	12.8%

3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised 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, restricted cash, trade and other receivables and financial liabilities including borrowings, lease liabilities and trade and other payables and accruals and amounts due to a related party. 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 trade 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 ageing 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.

(d) Net realisable value of inventories

Management reviews the net realisable values of inventories at the end of the reporting period based on the estimated selling prices in the ordinary course of business less the estimated selling expenses and related taxes. Management may take reference to the available price in the open market or the subsequent selling price if the open market information is not available. These estimates could change significantly as a result of change in market demand of products or technical innovation and impact the expectation of net realisable value for inventories required.

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 2021 and as at 31 December 2021 is listed as follows:

	Year ended 31 December 2021		
	Cargo handling and ancillary services RMB'000	Sales of oil products RMB'000	Total RMB'000
Total segment revenue	86,538	208,561	295,099
— Revenue from external customers	86,538	208,561	295,099
Segment results — gross profit	43,293	12,367	55,660
Other gains — net			715
Administrative and selling expenses			(16,937)
Finance costs — net			(3,296)
Share of results of a joint venture			(2,499)
Profit before income tax			33,643
Income tax expenses			(13,458)
Profit for the year			20,185
Other information:			
— Depreciation and amortisation	12,643	306	12,949

5 SEGMENT INFORMATION AND REVENUE *(continued)*

The segment information for the year ended 31 December 2021 and as at 31 December 2021 is listed as follows (continued):

	As at 31 December 2021		
	Cargo handling and ancillary services RMB'000	Sales of oil products RMB'000	Total RMB'000
Segment assets	367,486	4,477	371,963
Unallocated assets:			
— Head office			579
— Investment in a joint venture			10,965
— Deferred income tax assets			8
Total assets			383,515
Segment liabilities	14,234	190	14,424
Unallocated liabilities:			
— Current income tax liabilities			7,279
— Deferred income tax liabilities			2,581
— Borrowings			5,700
Total liabilities			29,984

5 SEGMENT INFORMATION AND REVENUE *(continued)*

The segment information for the year ended 31 December 2020 and as at 31 December 2020 is listed as follows:

	Year ended 31 December 2020		
	Cargo handling and ancillary services RMB'000	Sales of oil products RMB'000	Total RMB'000
Total segment revenue	98,893	74,630	173,523
— Revenue from external customers	98,893	74,630	173,523
Segment results — gross profit	57,597	3,681	61,278
Other gains — net			97
Administrative and selling expenses			(16,029)
Finance costs — net			(2,327)
Share of results of a joint venture			(425)
Profit before income tax			42,594
Income tax expenses			(12,733)
Profit for the year			29,861
Other information:			
— Depreciation and amortisation	12,256	310	12,566

	As at 31 December 2020		
	Cargo handling and ancillary services RMB'000	Sales of oil products RMB'000	Total RMB'000
Segment assets	280,281	154,245	434,526
Unallocated assets:			
— Head office			309
— Investment in a joint venture			13,464
— Deferred income tax assets			6
Total assets			448,305
Segment liabilities	16,849	17,025	33,874
Unallocated liabilities:			
— Current income tax liabilities			7,494
— Deferred income tax liabilities			291
— Borrowings			45,700
Total liabilities			87,359

5 SEGMENT INFORMATION AND REVENUE *(continued)*

(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	
	2021	2020
	RMB'000	RMB'000
Revenue from sales of goods	**205,217**	73,031
Revenue from provision of uploading and unloading services	**85,097**	96,568
Service income	**3,344**	1,599
Rental income	**1,441**	2,325
	295,099	173,523
Revenue recognised under HKFRS 15 — over time	**86,538**	98,893
Revenue recognised under HKFRS 15 — at a point in time	**208,561**	74,630
	295,099	173,523

Rental income are recognised proportionately over the lease term.

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Customer A:	**163,783**	74,630
Customer B:	**44,778**	Not applicable*

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

5 SEGMENT INFORMATION AND REVENUE *(continued)*

(c) Contract liabilities

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contract liabilities related to rental services	**715**	1,696
Contract liabilities related to uploading and unloading services	**678**	794
Contract liabilities related to sale of goods	**—**	16,800
	1,393	19,290

(i) Revenue recognised in relation to contract liabilities

The following table shows the amount of revenue recognised for the years ended 31 December 2021 and 2020 relates to the carried-forward contract liabilities balance.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at 1 January 2021 and 2020		
Sale of goods	**16,800**	6,179
Rental income	**1,696**	1,830
Revenue from provision of uploading and unloading services	**794**	439
	19,290	8,448

(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	
	2021	2020
	RMB'000	RMB'000
Net foreign exchange gains/(losses)	**232**	(324)
Government grants	**217**	251
Gains on additional deduction of VAT	**127**	139
Gains on disposals of property, plant and equipment	**2**	—
Others	**137**	31
	715	97

7 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of goods sold	**195,547**	70,414
Employee benefit expenses *(Note 8)*	**26,888**	23,807
Depreciation of property, plant and equipment *(Note 12)*	**10,672**	10,189
Labour services fee	**5,071**	5,302
Repair and maintenance expenses	**2,256**	2,856
Depreciation of right of use assets *(Note 13)*	**2,242**	2,343
Professional service expenses	**2,116**	1,609
Fuel expenditures	**1,915**	1,854
Business tax and other levies	**1,551**	1,084
Auditors' remuneration	**1,480**	1,480
Electricity and water expenditures	**1,445**	1,528
Production safety expenses	**865**	2,117
Travelling expenses	**617**	619
Transportation costs	**514**	508
Insurance costs	**483**	437
Office expenses	**354**	353
Amortisation of intangible assets *(Note 14)*	**35**	34
Other expenses	**2,325**	1,740
Total cost of sales, selling and administrative expenses	**256,376**	128,274

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and bonuses	**20,789**	20,071
Contributions to pension plans	**3,758**	1,977
Welfare, medical and other expenses	**2,341**	1,759
	26,888	23,807

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 include two (2020: two) directors whose emoluments are reflected in the analysis presented below. The emoluments payable to the remaining three (2020: three) individuals during the year are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and bonuses	**1,229**	1,181
Contributions to pension plans	**28**	21
Welfare, medical and other expenses	**10**	6
	1,267	1,208

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

	Number of individuals Year ended 31 December	
	2021	2020
Emolument bands:		
Nil to HK$1,000,000	**3**	3

9 FINANCE COSTS — NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Finance costs		
— Interest expenses for bank borrowings	**(3,258)**	(2,301)
— Interest expenses for lease liabilities	**(80)**	(46)
	(3,338)	(2,347)
Finance income		
— Interest income on bank deposits	**42**	20
Finance costs — net	**(3,296)**	(2,327)

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 2021 and 2020.

The income tax provision of the Group in respect of its operations in mainland China has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the years ended 31 December 2021 and 2020 pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law") and the Implementation Rules of the CIT Law effective from 1 January 2008.

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. The applicable withholding income tax rate of the intermediate holding company of the Company's mainland China subsidiaries for the year ended 31 December 2021 was 10%.

10 INCOME TAX EXPENSE *(continued)*

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax		
— Corporate income tax	**11,170**	12,745
Deferred income tax *(Note 16)*		
— Corporate income tax	**(12)**	(12)
— Withholding income tax	**2,300**	—
	2,288	(12)
	13,458	12,733

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	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	**33,643**	42,594
Tax calculated at a tax rate of 25%	**8,411**	10,649
Tax effects of:		
— Different income tax rates of certain companies	**1,825**	1,314
— Expenses not deductible for tax purpose	**523**	504
— Tax losses for which no deferred income tax asset was recognised	**411**	278
— Others	**(12)**	(12)
PRC corporate income tax	**11,158**	12,733
Withholding income tax	**2,300**	—
	13,458	12,733

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 2021 and 2020.

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	**12,718**	20,808
Weighted average number of ordinary shares in issue (thousand shares)	**600,000**	600,000
Basic earnings per share (expressed in RMB)	**0.0212**	0.0347

(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 2021 and 2020.

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 2020									
Opening net book amount	11,500	110,588	24,851	5,093	385	369	292	4,765	157,843
Additions	—	1,129	958	—	208	253	—	5,904	8,452
Transfers	30	5,854	185	—	—	—	—	(6,069)	—
Depreciation charge	(715)	(6,178)	(2,739)	(310)	(152)	(79)	(16)	—	(10,189)
Closing net book amount	10,815	111,393	23,255	4,783	441	543	276	4,600	156,106
At 31 December 2020									
Cost	16,418	163,765	43,854	8,929	2,672	1,663	354	4,600	242,255
Accumulated depreciation	(5,603)	(52,372)	(20,599)	(4,146)	(2,231)	(1,120)	(78)	—	(86,149)
Net book amount	10,815	111,393	23,255	4,783	441	543	276	4,600	156,106
Year ended 31 December 2021									
Opening net book amount	**10,815**	**111,393**	**23,255**	**4,783**	**441**	**543**	**276**	**4,600**	**156,106**
Additions	**257**	**298**	**274**	**—**	**192**	**5**	**—**	**11,461**	**12,487**
Transfers	**424**	**9,791**	**906**	**—**	**—**	**—**	**—**	**(11,121)**	**—**
Disposals	**—**	**(1)**	**(16)**	**—**	**(1)**	**(6)**	**—**	**—**	**(24)**
Depreciation charge	**(747)**	**(6,554)**	**(2,767)**	**(306)**	**(165)**	**(114)**	**(19)**	**—**	**(10,672)**
Closing net book amount	**10,749**	**114,927**	**21,652**	**4,477**	**467**	**428**	**257**	**4,940**	**157,897**
At 31 December 2021									
Cost	**17,099**	**173,834**	**44,591**	**8,929**	**2,758**	**1,662**	**354**	**4,940**	**254,167**
Accumulated depreciation	**(6,350)**	**(58,907)**	**(22,939)**	**(4,452)**	**(2,291)**	**(1,234)**	**(97)**	**—**	**(96,270)**
Net book amount	**10,749**	**114,927**	**21,652**	**4,477**	**467**	**428**	**257**	**4,940**	**157,897**

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of sales	**9,639**	9,148
Selling and administrative expenses	**1,033**	1,041
	10,672	10,189

(b) Construction-in-progress mainly comprises loading equipment under construction.

(c) As at 31 December 2021, the Group was in the process of applying for the ownership certificates of certain properties with an aggregate carrying value of approximately RMB1,862,000.

(d) As at 31 December 2021 and 2020, the costs of fully depreciated property, plant and equipment were RMB21,128,000 and RMB19,572,000, respectively.

(e) As at 31 December 2021, property, plant and equipment with carrying amounts of RMB22,817,000 were pledged as collaterals for the borrowings of the Group (2020: RMB24,542,000).

13 LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Right-of-use assets		
Office buildings	**871**	370
Sea area use rights	**8,736**	8,854
Land use rights	**39,348**	40,938
	48,955	50,162
Lease liabilities		
Current	**367**	73
Non-current	**555**	322
	922	395

13 LEASES *(Continued)*

(a) Amounts recognised in the balance sheet *(Continued)*

As at 31 December 2021, sea area use rights with carrying amounts of RMB601,000 were pledged as collaterals for the borrowings of the Group (2020: RMB617,000).

As at 31 December 2021, certain land use rights with carrying amount of RMB17,842,000 was pledged as collaterals for the borrowings of the Group (2020: RMB18,461,000).

As at 31 December 2021, the Group had no events that were not included in the lease liabilities, but would result in potential future cash outflows.

(b) Amounts recognised in the statement of profit or loss

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Office buildings	**367**	470
Sea area use rights	**285**	283
Land use rights	**1,590**	1,590
	2,242	2,343
Interest expense (included in finance cost)	**80**	46

The total cash outflow for leases in 2021 was RMB421,000 (2020: 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

	Computer software RMB'000
Year ended 31 December 2020	
Opening net book amount	205
Additions	31
Amortisation charge	(34)
Closing net book amount	202
At 31 December 2020	
Cost	473
Accumulated amortisation	(271)
Net book amount	202
Year ended 31 December 2021	
Opening net book amount	**202**
Amortisation charge	**(35)**
Closing net book amount	**167**
At 31 December 2021	
Cost	**473**
Accumulated amortisation	**(306)**
Net book amount	**167**

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Selling and administrative expenses	**35**	34

15 INVESTMENT IN A JOINT VENTURE

For the joint venture that is accounted for using the equity method, amounts recognised in the consolidated balance sheet and the consolidated income statement are set out as below:

	Joint venture RMB'000 *(Note (a))*
Year ended 31 December 2020	
Opening net book amount	—
Addition	13,889
Share of results	(425)
Closing net book amount	13,464
Year ended 31 December 2021	
Opening net book amount	**13,464**
Share of results	**(2,499)**
Closing net book amount	**10,965**

(a) Particular of the Group's joint venture is set out below:

Name of entity	**Place of incorporation**	**% of ownership interest**	**Principal activities**
Fortune Tian Yuan Petrochemical Limited	Hong Kong	30	Investment holdings

The other joint venture partner which owns the remaining 70% is Fortune Oil PRC Holdings Limited, a company principally engaged in investment and trading of energy resources related to oil and natural gas in the PRC. The joint venture was set up for making investing in Zhanjiang for certain warehouse facilities of oil products.

16 DEFERRED INCOME TAX

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets:		
— to be recovered after more than 12 months	**8**	6
	8	6
Deferred tax liabilities:		
— to be recovered after more than 12 months	**(271)**	(281)
— to be recovered within 12 months	**(2,310)**	(10)
	(2,581)	(291)
Deferred tax liabilities — net	**(2,573)**	(285)

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 2021 and 2020 are set as follows:

	Deferred tax assets	**Deferred tax liabilities**	
	Timing difference on lease adopted	**Timing difference on construction in progress**	**Withholding tax**
	RMB'000	**RMB'000**	**RMB'000**
As at 31 December 2020	**6**	**(291)**	**—**
Credited/(charged) to profit or loss	**2**	**10**	**(2,300)**
As at 31 December 2021	**8**	**(281)**	**(2,300)**

16 DEFERRED INCOME TAX *(Continued)*

	Deferred tax assets	Deferred tax liabilities	
	Timing difference on lease adopted RMB'000	Timing difference on construction in progress RMB'000	Withholding tax RMB'000
As at 31 December 2019	4	(301)	—
Credited to profit or loss	2	10	—
As at 31 December 2020	6	(291)	—

The Group did not recognise deferred income tax assets of RMB1,783,000 and RMB1,372,000 in respect of tax losses amounting to RMB10,132,000 and RMB7,739,000 as at 31 December 2021 and 2020 that can be carried forward against future taxable income, respectively. Losses amounting to RMB189,000 and RMB194,000 will expire in 2027 and 2026 respectively.

As at 31 December 2021 and 2020, the Group had unrecognised deferred income tax liabilities of RMB14,696,800 and RMB14,830,500 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.

17 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables *(Note (a))*	**8,273**	9,150
Less: allowance for impairment of trade receivables	**—**	—
Trade receivables — net	**8,273**	9,150
Note receivables — third parties	**4,100**	1,404
Other receivables — third parties	**318**	476
VAT recoverable	**36**	21,282
	12,727	32,312
Amounts due from related parties *(Note 31(d))*		
— Trade	**1,386**	1,162
— Non-trade	**1,268**	—
	2,654	1,162

(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	
	2021	2020
	RMB'000	RMB'000
Less than 30 days	**7,394**	6,817
31 to 60 days	**480**	595
61 to 90 days	**194**	450
91 to 180 days	**—**	1,288
181 to 365 days	**205**	—
	8,273	9,150

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

(b) Trade and other receivables and amounts due from related parties were denominated in:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
— RMB	**14,113**	33,474
— HK$	**1,268**	—
	15,381	33,474

(c) As at 31 December 2021 and 2020, the Group's maximum exposure to credit risk was the carrying value of each class of trade and other receivables and amounts due from related parties mentioned above. The Group does not hold any collateral as security.

(d) As at 31 December 2021 and 2020, the fair values of trade and other receivables and amounts due from related parties approximate their carrying amounts due to their short-term maturities.

18 INVENTORIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Oil products	**—**	149,462

During the year ended 31 December 2021, the cost of inventories recognised as expenses and included in "cost of sales" in profit and loss amounted to RMB195,547,000 (2020: RMB70,414,000). There was no write-down of inventory during the year ended 31 December 2021 (2020: nil).

19 PREPAYMENTS AND OTHER ASSETS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayments for construction and acquisition of property, plant and equipment	**1,410**	2,486
Prepayments for electricity and other expenses	**803**	739
	2,213	3,225
Less: non-current portion of prepayments	**(1,410)**	(2,486)
Current portion of prepayments and other assets	**803**	739

20 RESTRICTED CASH

As at 31 December 2021, the restricted cash mainly comprised of guarantee deposits for bank borrowings (2020: the same).

21 TERM DEPOSITS

As at 31 December 2021, the initial terms of the Group's term deposits were one month (2020: two months). The annual interest rates of the Group's term deposits held in banks throughout the year ended 31 December 2021 ranged from 0.08% to 1.88% per annum (2020: 0.34% to 2.34%).

22 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash on hand	**5**	5
Cash at banks	**145,993**	38,796
Total cash and cash equivalents	**145,998**	38,801

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**144,364**	38,070
HK$	**1,634**	731
	145,998	38,801

(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.

23 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 2020				
As at 1 January 2020	600,000,000	6,000	4,895	224,078
Dividends paid to owners of the Company *(Note 28)*	—	—	—	(19,200)
As at 31 December 2020	600,000,000	6,000	4,895	204,878
Year ended 31 December 2021				
As at 1 January 2021	**600,000,000**	**6,000**	**4,895**	**204,878**
Dividends paid to owners of the Company *(Note 28)*	**—**	**—**	**—**	**(20,400)**
As at 31 December 2021	**600,000,000**	**6,000**	**4,895**	**184,478**

24 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 reorganisation of the current group structure in 2015; ii) deemed distributions to the Controlling Shareholder of the unremitted net revenue proceeds amounting to RMB26,394,000 during the reorganisation.

(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 capitalised as the group companies' capital provided that the amount of such reserve remaining after the capitalisation 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 2021 and 2020. The reserve can be utilised 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)

25 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 2021:

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	
				2021	2020	**2021**	2020
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%**	100%	**—**	—

(i) Significant restrictions

As at 31 December 2021, cash and cash equivalents and restricted cash of RMB144,212,000 (31 December 2020: RMB39,134,000) 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.

25 SUBSIDIARIES *(Continued)*

(a) Non-controlling interests

Non-controlling interests as at 31 December 2021 and 2020 were related to 40% ownership interest in Tianyuan Terminal.

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

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

Summarised balance sheet

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Assets		
Non-current assets	**87,978**	87,019
Current assets	**50,793**	52,376
Total assets	**138,771**	139,395
Liabilities		
Current liabilities	**9,414**	10,706
Total liabilities	**9,414**	10,706
Net assets	**129,357**	128,689

25 SUBSIDIARIES *(Continued)*

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

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

Summarised statement of comprehensive income

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	**57,653**	62,237
Profit before income tax	**24,993**	30,252
Income tax expense	**(6,325)**	(7,620)
Profit and total comprehensive income for the year	**18,668**	22,632
Profit and total comprehensive income allocated to non-controlling interests	**7,467**	9,053
Dividends paid to non-controlling interests in subsidiaries	**7,200**	6,400

Summarised statement of cash flows

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net cash generated from operating activities	**19,102**	32,034
Net cash generated from/(used in) investing activities	**18,137**	(28,062)
Net cash used in financing activities	**(18,000)**	(16,000)
Net increase/(decrease) in cash and cash equivalents	**19,239**	(12,028)
Cash and cash equivalents at beginning of year	**11,020**	23,048
Cash and cash equivalents at end of year	**30,259**	11,020

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

26 TRADE AND OTHER PAYABLES AND ACCRUALS AND AMOUNTS DUE TO A RELATED PARTY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Accrual for staff costs and allowances	**5,807**	5,852
Other payables and accruals	**4,252**	6,214
Other tax payables	**2,050**	1,898
Total	**12,109**	13,964
Amounts due to a related party *(Note 31(d))*	**—**	225

(a) Trade and other payables and accruals and amounts due to a related party were denominated in:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
— RMB	**11,849**	13,926
— HK$	**260**	263
	12,109	14,189

(b) As at 31 December 2021 and 2020, the fair values of trade and other payables and accruals and amounts due to a related party approximate their carrying amounts due to their short-term maturities.

27 BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current:		
— Secured bank borrowings	**5,700**	45,700

(a) As at 31 December 2021, borrowings of RMB5,700,000 are secured by certain property, plant and equipment (Note 12), land use rights (Note 13), sea area use rights (Note 13) and related parties (Note 31(e)) of the Group (2020: RMB45,700,000).

(b) As at 31 December 2021, The effective interest rates (per annum) was 6.50% (2020: 7.30%).

(c) The maturity date of the borrowing is analysed as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Less than 1 year	**5,700**	45,700

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

(d) As at 31 December 2021 and 2020, the Group's bank borrowings were denominated in RMB.

28 DIVIDENDS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Final dividends for the year ended 31 December 2020 of RMB0.034 per ordinary share (2019: RMB0.032)	**20,400**	19,200
Total dividends provided for or paid	**20,400**	19,200

During the year ended 31 December 2021, dividends were paid in cash (2020: Same).

A dividend in respect of the year ended 31 December 2021 of RMB0.035 per ordinary share, amounting to a total dividend of RMB21,000,000, is to be proposed at the annual general meeting to be held on 27 May 2022. These financial statements do not reflect this dividend payable.

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Proposed final dividend of RMB0.035 (2020: RMB0.034) per ordinary share	**21,000**	20,400

29 CASH FLOW INFORMATION

(a) Cash generated from/(used in) operations

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	**33,643**	42,594
Adjustments for:		
— Depreciation	**12,914**	12,532
— Amortisation of intangible assets	**35**	34
— Gains from disposal of property, plant and equipment	**(2)**	—
— Finance costs — net	**3,296**	2,327
— Share of results of a joint venture	**2,499**	425
Changes in working capital:		
— Trade and other receivables	**19,585**	(6,585)
— Amounts due from related parties	**(224)**	(879)
— Prepayments and other assets	**(64)**	(41)
— Trade and other payables and accruals	**(670)**	(12,326)
— Inventories	**149,462**	(97,077)
— Contract liabilities	**(17,897)**	10,842
— Amounts due to a related party	**(225)**	225
Cash generated from/(used in) operations	**202,352**	(47,929)

29 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 2020	20,000	868	20,868
Cash flows			
— Inflow from financing activities	85,700	—	85,700
— Outflow from financing activities	(60,000)	(519)	(60,519)
Non-cash changes			
— Interest expenses	—	46	46
As at 31 December 2020	45,700	395	46,095
As at 1 January 2021	**45,700**	**395**	**46,095**
Cash flows			
— Inflow from financing activities	**45,700**	**—**	**45,700**
— Outflow from financing activities	**(85,700)**	**(421)**	**(86,121)**
Non-cash changes			
— Acquisition — leases	**—**	**868**	**868**
— Interest expenses	**—**	**80**	**80**
As at 31 December 2021	**5,700**	**922**	**6,622**

30 COMMITMENTS

(a) Capital commitments

As at 31 December 2021 and 2020, the Group had the following capital commitments on construction and acquisition of property, plant and equipment:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contracted but not provided for	**—**	3,484

31 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	**Relationship**
Mr. Yang	Controlling Shareholder
Ms. Zhang Dan	Controlling Shareholder's spouse
Maoming Tianyuan Trade Development Limited. ("Maoming Tianyuan")	Former holding company of Tianyuan Terminal and Zhengyuan Terminal
Maoming Tianyuan Petrochemical Co., Ltd. ("Tianyuan Petrochemical")	Controlled by Mr. Yang
Foshan Shunde Fuel Petrochemical Co., Ltd. ("Shunde Petrochemical")	Controlled by Mr. Yang
Guangxi Beihai Heyuan Petrochemical Co., Ltd. ("Heyuan Petrochemical")	Controlled by Mr. Yang
Guangdong Yuexiang Tianyuan Holdings Co., Ltd. ("Yuexiang Tianyuan")	Controlled by Mr. Yang
Fortune Tianyuan Petrochemical Co., Ltd. ("Fortune Tianyuan Petrochemical")	A joint venture of the group

31 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties

The Group had the following significant transactions with related parties:

(i) The Controlling Shareholder leased an office for a subsidiary of the Group as registered office. And charged a monthly rent of HK$32,000 from January 2021 until December 2023.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Office rental paid to Mr. Yang	**324**	421

(ii) Tianyuan Petrochemical leased oil tanks for a subsidiary of the Group to store the oil products for sales from December 2020 to February 2021.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Rental expense	**341**	225

(iii) Provision of uploading and unloading services with related parties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from provision of uploading and unloading services		
— Tianyuan Petrochemical	**5,056**	3,834
— Maoming Tianyuan	**4,582**	5,684
	9,638	9,518

31 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensations

Key management compensation for the years ended 31 December 2021 and 2020, other than those relating to the emoluments of directors being disclosed in Note 33(a), are set out below:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and bonuses	**1,078**	1,240
Contributions to pension plans	**34**	28
Welfare, medical and other expenses	**5**	5
	1,117	1,273

(d) Balances with related parties

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
(i) Amounts due from related parties		
— Fortune Tianyuan Petrochemical	**1,268**	—
— Tianyuan Petrochemical	**1,124**	826
— Maoming Tianyuan	**262**	336
	2,654	1,162

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
(ii) Amounts due to Tianyuan Petrochemical	**—**	225

31 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Balances with related parties *(Continued)*

The amounts due from related parties and amounts due to a related party are unsecured, interest-free and receivable/repayable in accordance with agreed terms with related parties.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
(iii) Lease liabilities due to Mr. Yang	**603**	—

(e) Guarantee

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Guarantee provided by Mr. Yang, Ms. Zhang Dan, Maoming Tianyuan, Shunde Petrochemical, Heyuan Petrochemical and Yuexiang Tianyuan in respect of the credit facilities of the Group	**100,000**	100,000

The above guarantee provided by related parties in respect of the credit facilities of the Group without any charge, please refer to Note 27.

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Assets		
Non-current asset		
Interest in a subsidiary	**187,108**	187,108
Investment in a joint venture	**10,965**	13,464
	198,073	200,572
Current assets		
Amounts due from a joint venture	**1,268**	—
Prepayments	**124**	206
Term deposits	**801**	2,273
Cash and cash equivalents	**2,529**	650
	4,722	3,129
Total assets	**202,795**	203,701
EQUITY		
Equity attributable to owners of the Company		
Share capital (a)	**4,895**	4,895
share premium (a)	**184,478**	204,878
Other reserve (a)	**32,108**	32,108
Accumulated losses (a)	**(58,180)**	(51,635)
Total equity	**163,301**	190,246
Current liabilities		
Other payables and accruals	**2,207**	2,226
Amounts due to subsidiaries	**37,287**	11,229
	39,494	13,455
Total liabilities	**39,494**	13,455
Total equity and liabilities	**202,795**	203,701

The balance sheet of the Company was approved by the Board of Directors on 29 March 2022 and was signed on its behalf.

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

32 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 losses RMB'000	Total RMB'000
As at 1 January 2020	4,895	224,078	32,108	(46,844)	214,237
Loss for the year	—	—	—	(4,791)	(4,791)
Dividends to owners of the Company *(Note 28)*	—	(19,200)	—	—	(19,200)
As at 31 December 2020	4,895	204,878	32,108	(51,635)	190,246
As at 1 January 2021	**4,895**	**204,878**	**32,108**	**(51,635)**	**190,246**
Loss for the year	**—**	**—**	**—**	**(6,545)**	**(6,545)**
Dividends to owners of the Company *(Note 28)*	**—**	**(20,400)**	**—**	**—**	**(20,400)**
As at 31 December 2021	**4,895**	**184,478**	**32,108**	**(58,180)**	**163,301**

33 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 2021:

	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)	—	733	15	—	748
Ms. Tong Wai Man (ii)	—	539	15	—	554
Mr. Su Baihan (ii)	—	129	—	—	129
Non-executive director					
Mr. Yang Fan	—	119	—	—	119
Independent non-executive directors					
Mr. Pang Hon chung (iii)	119	—	—	—	119
Ms. Wu Jinwen (iii)	100	—	—	—	100
Mr. Huang Yaohui (iii)	119	—	—	—	119
	338	1,520	30	—	1,888

33 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

For the year ended 31 December 2020:

	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)	—	787	16	—	803
Ms. Tong Wai Man (ii)	—	579	16	—	595
Mr. Su Baihan (ii)	—	139	—	—	139
Non-executive director					
Mr. Yang Fan	—	128	—	—	128
Independent non-executive directors					
Mr. Pang Hon chung (iii)	128	—	—	—	128
Ms. Wu Jinwen (iii)	107	—	—	—	107
Mr. Huang Yaohui (iii)	128	—	—	—	128
	363	1,633	32	—	2,028

(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 (2020: nil).

(v) During the year, none of the directors of the Company waived their emoluments nor has agreed to waive their emoluments (2020: nil).

33 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 (2020: nil).

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2020: 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 (2020: 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 31(d) and Note 31(e), 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 (2020: the same).

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

As at 31 December 2021, other than those disclosed in Note 31(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.

FIVE YEAR FINANCIAL SUMMARY

The financial summary of the Group for the year ended 31 December 2017 has been extracted from the Prospectus.

	2021 **RMB'000**	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**295,099**	173,523	124,724	82,393	81,599
Profit attributable to owners of the Company	**12,718**	20,808	14,452	5,849	19,244
Total assets	**383,515**	448,305	418,452	396,839	302,296
Total liabilities	**29,984**	87,359	61,767	24,961	25,252
Total equity	**353,531**	360,946	356,685	371,878	277,044
Non-controlling interests	**51,743**	51,476	48,823	70,668	63,456