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

2022
ANNUAL REPORT

www.tianyuangroupholdings.com

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TIAN YUAN GROUP HOLDINGS LIMITED
ANNUAL REPORT 2022

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
17/F., Far East Finance Centre
16 Harcourt Road
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 (the "Annual Report") for the year ended 31 December 2022 (the "Reporting Year").

Over the past few years, though there have been a few challenges and uncertainties which existed in the economic environment, it is encouraging that the Group recorded a continuous increase in revenue for four consecutive years since its listing in 2018. For the Reporting Year, a higher revenue of approximately RMB317.9 million was achieved, representing an increase of approximately 7.7% compared to that for the year ended 31 December 2021. The increase in revenue was mainly attributable to an increase in revenue generated from supply and sales of oil products as demand increased.

The growth of demand and revenue of the uploading and unloading services for the recent financial years was affected by the ongoing COVID-19 pandemic, such influence is expected to be eliminated gradually in 2023. For the sake of our employees' health and smooth running of the operations, the Group has adopted highly strict preventive and protective measures to minimize its impact on our operations. It is one of our priorities to maintain high standards of our operations in respect of maintaining or providing production safety, environment protection and a hygienic environment.

As the business of supply and sales of oil products has been advancing well, the Group intended to commence its international import trading business in 2023, it is expected to expand and diversify the existing trading business and in turn, give new impetus on the Group's revenue. We target to develop the import trading business in the next few years to become one of our major revenue streams. We believe, further to the existing cargo handling business and sales of oil products, the diversification of revenue streams to the import trading business will strengthen the revenue generating capabilities of the Group.

As a long-term development strategy, the Group would consolidate our core businesses and keep to explore new business and investment opportunities aiming to enhance its performance and improve the return on equity. The Company increased its dividend per ordinary share in the last five 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, 31 March 2023

BUSINESS REVIEW

The Group's 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 2022, 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.

Bulk cargo uploading and unloading services and related ancillary value-added port services

During the Reporting Year, though under the impact of COVID-19, the Group achieved a total cargo throughput of approximately 4,164 thousand tonnes, representing an increase of approximately 60 thousand tonnes or approximately 1.5% compared to approximately 4,104 thousand tonnes for the year ended 31 December 2021. The increase in the cargo throughput was attributable to an increase in overall demand.

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 2021. For the Reporting Year, we mainly handled bulk cargo such as coal, quartz sand, oil products, grains, asphalt and kaolinite as well as a small portion of break bulk cargo and neo-bulk cargo. The average selling price of the cargo handling fees of the Group remained stable for the year ended 31 December 2022 compared to that for 2021.

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

The scale of ancillary value-added port services including storage services at our oil tanks and grain barns as well as lease of our shovel trucks provided were comparable to 2021.

Supply and sales of oil products

To diversify its revenue source, the Group commenced the business of supply and sales of oil products in 2019 leveraging on its knowledge and network in the petrochemical industry gained through years of port operation and bulk cargo handling and such business has been advancing well. The revenue from sales of oil products has been on an increasing trend since its commencement and reached a record high of approximately RMB230.5 million for the Reporting Year, which was boosted by an increase in demand.

The Group has gained sufficient fundamental industry experience to further expand such business development and its client base and is building up a sales and marketing team and will strengthen it along with the expansion plan, the Group would commence international import trading business in 2023. By entering into the trade framework agreement with Maoming Tianyuan Trade Development Company Limited ("Maoming Tianyuan"), the Group will be able to secure a sizeable customer for the oil products. By supplying oil products to Maoming Tianyuan which has an extensive customer base, the Group aims to raise its corporate profile and boost its reputation among other existing and potential independent customers, to enjoy the benefit from possible lowering of unit costs through economies of scale and improved inventory management through bulk purchase. To meet the development of import trading business, the Group is expanding and enhancing its sales and marketing department which is expected to facilitate developing relationships and obtaining more orders from new customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the revenue was approximately RMB317.9 million, representing an increase of approximately 7.7% compared to approximately RMB295.1 million for the year ended 31 December 2021. 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			
	2022	2021	**Changes**	
	RMB'000	RMB'000	RMB'000	%
Revenue from provision of uploading and unloading services	**85,928**	85,097	831	1.0
Revenue from sales of oil products	**229,749**	205,217	24,532	12.0
Rental income	**1,441**	1,441	–	–
Service income	**783**	3,344	(2,561)	(76.6)
	317,901	295,099	22,802	7.7

For the year ended 31 December 2022, our revenue from uploading and unloading services slightly increased by approximately 1.0% compared to that for the year ended 31 December 2021 to approximately RMB85.9 million. The increase in revenue from uploading and unloading services was mainly attributable to an increase in cargo throughput. During the Reporting Year, the revenue generated from handling coal, oil products, and quartz sand increased, which was partially offset by a decrease in the revenue generated from handling asphalt, grains and others.

For the year ended 31 December 2022, our revenue from sales of oil products increased by approximately 12.0% compared to that for the year ended 31 December 2021 to approximately RMB229.7 million. The increase in revenue from sales of oil products was primarily attributable to an increase in demand for oil products.

For the year ended 31 December 2022, our rental income was comparable to that for the year ended 31 December 2021.

As demand decreased, our service income for products sourcing for the Reporting Year decreased by approximately 76.6% compared to that for the year ended 31 December 2021 to approximately RMB783,000.

Cost of sales

Our cost of sales increased by approximately 10.2% from approximately RMB239.4 million for the year ended 31 December 2021 to approximately RMB263.8 million for the year ended 31 December 2022. This was primarily attributable to an increase in cost of goods sold of approximately RMB20.3 million recorded for the sales of oil products during the Reporting Year compared to 2021 as the revenue increased. The increase was also due to an increase in labour service fee and fuel expenditures.

Gross Profit and Gross Profit Margin

The Group's overall gross profit decreased by approximately 2.8% from approximately RMB55.7 million for the year ended 31 December 2021 to approximately RMB54.1 million for the year ended 31 December 2022.

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 18.9% for the year ended 31 December 2021 to approximately 17.0% for the year ended 31 December 2022.

The gross profit margin of the cargo handling and ancillary services segment was approximately 46.2% for the year ended 31 December 2022 compared to approximately 50.0% for the year ended 31 December 2021. The decrease was primarily due to an increase in cost of sales as mentioned above.

The gross profit margin of the sales of oil products segment recorded for the year ended 31 December 2022 was approximately 6.0% compared to approximately 5.9% for the year ended 31 December 2021.

Other Losses/Gains – Net

For the year ended 31 December 2022, other losses – net of approximately RMB553,000 (for the year ended 31 December 2021: other gains – net of approximately RMB715,000) consisted mainly of net exchange losses.

Finance Costs – Net

For the year ended 31 December 2022, the Group's net finance costs of approximately RMB936,000 consisted mainly of bank charges for letter of credits and interest expenses for bank borrowings (for the year ended 31 December 2021: approximately RMB3.3 million).

Selling and Administrative Expenses

Selling and administrative expenses of approximately RMB16.7 million were incurred for the year ended 31 December 2022 compared to approximately RMB16.9 million for the year ended 31 December 2021.

Share of Results of a Joint Venture

The Group recorded a share of loss of a joint venture of approximately RMB584,000 for the year ended 31 December 2022 (for the year ended 31 December 2021: RMB2.5 million).

Income Tax Expense

The Group's income tax expense decreased by approximately 16.2% from approximately RMB13.5 million for the year ended 31 December 2021 to approximately RMB11.3 million for the year ended 31 December 2022. The decrease for the Reporting Year was mainly due to the recognition of withholding tax with a lower 5% withholding tax rate applied.

Profit Attributable to Owners of the Company

For the year ended 31 December 2022, the Group's profit attributable to owners of the Company was approximately RMB17.5 million (for the year ended 31 December 2021: approximately RMB12.7 million). The increase of approximately 37.5% for the Reporting Year compared to that for 2021 was mainly due to (1) a decrease in net finance costs resulted from a decrease in bank borrowings, (2) a decrease in share of loss of a joint venture and (3) a decrease in income tax expense as mentioned above.

Liquidity and Financial Resources

Net Current Assets

The Group recorded net current assets of approximately RMB140.2 million as at 31 December 2022, while the net current assets as at 31 December 2021 was approximately RMB137.3 million.

Borrowings and Gearing Ratio

The Group has no interest-bearing borrowings as at 31 December 2022 (as at 31 December 2021: approximately RMB5.7 million). The gearing ratio was approximately 0.2% as at 31 December 2022 (as at 31 December 2021: approximately 1.9%), calculated as total debt (including external borrowings and lease liabilities) divided by total capital.

Treasury Policy

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

Capital Structure

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

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

There were no significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil).

Pledge of Assets and Contingent Liabilities

As at 31 December 2022, the Group had certain pledged assets including certain right-of-use assets and property, plant and equipment with the aggregated carrying amount of RMB39.0 million, and cash in banks amounting to RMB46.8 million as collateral for certain banking facilities of the Group granted by a PRC bank (as at 31 December 2021: approximately RMB41.3 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 a related party 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 2021: Same).

Human Resources and Remuneration

As at 31 December 2022, the Group employed 236 employees (as at 31 December 2021: 247 employees) with total staff costs of approximately RMB28.0 million incurred for the year ended 31 December 2022 (for the year ended 31 December 2021: approximately RMB26.9 million). The increase was mainly due to an increase in salaries and bonus as well as an increase in social security contributions made in the Reporting Year. 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 2022, 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 2022.

Final Dividend

The Board has proposed a final dividend of RMB0.04 per ordinary share for the year ended 31 December 2022, amounted to RMB24.0 million based on 600,000,000 shares in issue as at 31 December 2022.

The proposed final dividend will be paid to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Friday, 9 June 2023 (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, 26 June 2023.

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 31 March 2023, which is RMB1 to approximately HK$1.1425. Each Eligible Shareholder will receive a dividend of HK$0.0457 per ordinary share.

Annual General Meeting

The annual general meeting (the "AGM") of the Company is scheduled to be held on Friday, 2 June 2023 (the "2023 AGM"). A notice convening the 2023 AGM will be published on the HKEXnews website and the Company's website and despatched to the Shareholders in due course.

Closure of Register of Members

In relation to the 2023 AGM

For the purpose of determining the list of Shareholders who are entitled to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023, 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 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 29 May 2023.

In relation to the Proposed Final Dividend

Subject to approval by the Shareholders in the 2023 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, 8 June 2023 to Friday, 9 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 7 June 2023.

Capital Commitments

As at 31 December 2022, the Group had capital commitments for construction and acquisition of property plant and equipment amounting to approximately RMB97,000 (as at 31 December 2021: Nil).

OUTLOOK AND PROSPECTS

In 2023, despite the global economy is expected to face downside risks arising from the impact of numerous factors including inflation, interest rate hike, geopolitics, etc., the reopening of China is anticipated to drive the growth of global and local economy. Being led by of the government's favourable policies and initiation of various economic stimulus measures, the management believes that the local economic growth will drive the recovery and boost the rebound of different sectors and industries.

The Group will consolidate and integrate the core businesses to enhance its operational capabilities and efficiency. For the cargo handling and ancillary services, the Group will broaden the cargo sources, enhance the cost control and deepen the customers relationship. In respect of the sales of oil products, the Group will strive to expand sales, enhance marketing strategies and customer services, improve inventory management and develop the market steadily. Meanwhile, the Group would devote more efforts and resources to implement the development of import trading business aim to achieve a growth in revenue and profit.

Through precise implementation of business development strategies and timely responses to the challenges, the management is confident that with the wisdom and concerted efforts of the management together with all its employees, the Group would deliver stable and substantial returns to our Shareholders and achieve the goal of long-term sustained growth and expansion.

EXECUTIVE DIRECTORS

Mr. YANG Jinming (楊金明) ("Mr. Yang"), aged 49, is the founder of our Group. He was appointed as a Director on 27 July 2015 and was re-designated as an executive Director on 21 September 2015. He is also the chairman of our Board (the "Chairman"), the chief executive officer ("Chief Executive Officer") and the chairman of the nomination committee of the Company. He is responsible for the overall management, strategic development and major decision-making of the Group and has been managing our business for more than 16 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"), Singapore Tian Resources Commerce and Trading Pte. Ltd. ("Singapore Tian Resources"), 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 the controlling shareholders of the Company which is wholly-owned by Mr. Yang.

Mr. Yang obtained a business administration profession qualification* (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 47, was appointed as an executive Director on 21 September 2015. She is responsible for administrative management of the Group and also serves on the remuneration committee of the Company. Ms. Tong is also a director of Jin Yuan, Tian Yuan Energy, Singapore Tian Resources and Fortune Tian Yuan Petrochemical Limited.

Prior to joining the 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 42, was appointed as an executive Director on 21 September 2015. He is responsible for overall financial and operation of the Group. Mr. Su is also a director of Maoming Jinyuan.

Prior to joining the 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 36, was appointed as a non-executive Director on 21 September 2015. He is responsible for overseeing the general corporate, financial and compliance affairs of the Group. Mr. Yang Fan is also the deputy chairman of the board of directors of Maoming Jinyuan and a director of Singapore Tian Resources. Mr. Yang Fan was a 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 of Hong Kong Limited (the "Stock Exchange") (stock code: 1626) from 24 March 2014 to 17 March 2017, and was appointed as a 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 49, was appointed as an independent non-executive Director on 10 May 2018. He is also the chairman of the audit committee and a member of the 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 53, was appointed as an independent non-executive Director on 10 May 2018. She is the chairman of the remuneration committee and a member each of the audit committee and the 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 acted as 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 a 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 a 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 70, was appointed as an independent non-executive Director on 10 May 2018 and a member each of the audit committee and the 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. CHEN Sheng (陳升), aged 46, is our general manager and is responsible for the operation and the management of the Group. He has over 24 years in the PRC petrochemical industry. Prior to joining the Group, he had worked in the oil refinery and sales companies of Maoming Petrochemical Company* (茂名石化公司) from 1998 to 2016, and had successively worked in various positions in Maoming branch office of China Petroleum & Chemical Corporation* (中國石化股份公司茂名分公司) including party branch secretary of the self-sales commercial department, chief of the sales department, etc. During the period from January 2017 to September 2022, he joined Guangdong Yuexiang Tianyuan Holdings Co., Ltd.* (廣東粵祥天源控股有限公司) and acted as the general manager of its energy operations department, and has since August 2020 concurrently acted as the deputy general manager of Guangdong Zhongyou Tianyuan Petrochemical Sales Co., Ltd.* (廣東中油天源石化銷售有限公司). Mr. Chen has joined our Group in October 2022. He is currently the general manager of Tianyuan and Zhengyuan.

Mr. Chen obtained an undergraduate degree in law and specialized in network education in January 2010 from Sun Yat-sen University (中山大學). He is also a member of the Communist Party of the PRC since 2003, and has been acting as the party branch secretary of the Office of Maoming Private Enterprise Chamber of Commerce (茂名市民營企業商會) since October 2021.

Mr. QIAO Li (譙黎) ("Mr. Qiao"), aged 46, is the chief financial officer of the Company and is responsible for financial management of the Group. He joined the 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 at 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).

Mr. Qiao 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 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 46, was appointed as the company secretary and financial controller of the Company 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 the 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 GEM 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 from City University of Hong Kong in November 1999.

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 Company has applied the principles 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") to its corporate governance structure and practices as described in this report.

The Company has complied with applicable Code Provisions of the CG Code throughout the Reporting Year, except for Code Provisions C.2.1 and D.2.5. Code Provision C.2.1 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.

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 A.2.1 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 2022 and up to the date of this Annual Report, the Board has comprised 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 Code 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 2022, 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.

Six Board meetings and one general meeting have been held during the Reporting Year.

Summary of work relating to corporate governance in 2022/2023:

- developed and reviewed the Company's policies and practices on corporate governance;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements (including but not limited to the Listing Rules and the Securities and Futures Ordinance in relation to the inside information provisions);
- developed, reviewed and monitored the code of conduct and compliance manual of the employees and Directors;
- reviewed the Company's compliance with the CG Code; and
- endorsed the annual corporate governance report.

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	Attendance/General Meetings held during the Reporting Year
Mr. Yang Jinming *(Chairman and Chief Executive Officer) (Note 1)*	4/6	1/1
Ms. Tong Wai Man	6/6	1/1
Mr. Su Baihan	6/6	1/1
Mr. Yang Fan	5/6	1/1
Mr. Pang Hon Chung	6/6	1/1
Professor Wu Jinwen	6/6	1/1
Mr. Huang Yaohui	6/6	1/1

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

Note 1: Mr. Yang Jinming abstained from voting and did not attend 2 meetings for discussing and/or approving transactions in which he or any of his associates have a material interest.

BOARD COMMITTEES

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

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 as delegated with the authority by the Board 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. The Remuneration Committee held one meeting during the Reporting Year.

Summary of work in 2022/2023:

- reviewed and made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the procedure for developing remuneration policy;

- assessed the performance of executive Directors;

- reviewed and made recommendations to the Board on the 2022 basic remuneration of the Directors' and the 2021 bonuses of the executive Directors; and

- reviewed and made recommendations to the Board on the 2021 remuneration packages of executive Directors and senior management and the 2021 fees paid to the non-executive Directors.

The Remuneration Committee adopted the model under Code Provision E.1.2(c)(ii) and make recommendations to the Board for approving in relation to remuneration packages of individual executive Directors and senior management.

The attendance record of the members of the Remuneration Committee at this meeting is 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. The Nomination Committee held one meeting during the Reporting Year.

Summary of work in 2022/2023:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
- assessed the independence of the independent non-executive Directors;
- reviewed re-appointments of the Directors;
- reviewed succession planning for Directors;
- nominated Board candidates for election/re-election by Shareholders at AGM; and
- reviewed the implementation with measurable targets, progress and effectiveness of the Company's policy on board diversity (the "Board Diversity Policy").

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.

Summary of work in 2022/2023:

- reviewed the financial statements for the year ended 31 December 2022 and the related documents and made recommendations to the Board for approval and discussed with the management and the external auditor the accounting policies and practices which may affect the Group, the report prepared by the external auditor covering major findings in the course of the audit and the accounting and financial reporting matters;

- reviewed the interim financial statements for the six months ended 30 June 2022 and the related documents, and made recommendations to the Board for approval;

- reviewed and monitored the Company's financial reporting procedures and the effectiveness of the Group's risk management and internal control systems;

- reviewed the re-appointment and remuneration of the Company's external auditors, its independence and objectivity, and the effectiveness of the audit process; and

- reviewed the appointment of the internal control consultant.

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 1 June 2022 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 27 May 2022, Mr. Yang Jinming, Mr. Yang Fan and Mr. Pang Hon Chung 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 being 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 were female. In the event that 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 Diversity Policy and the aforesaid gender composition ratio. During the Reporting Year, the Company's workforce (including senior management) comprised about 83% male and 17% female. The Board considers that the Company has already achieved gender diversity in its workforce.

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 63 to 68 of this Annual Report.

EXTERNAL AUDITOR'S REMUNERATION

The Company has engaged PricewaterhouseCoopers as its external auditor for the year ended 31 December 2022 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 2022, 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 2022 was approximately RMB1.3 million. There was no non-audit service fee incurred for the year ended 31 December 2022.

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 2022. 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 performed its annual review of the effectiveness of the Group's internal control and risk management systems for the year ended 31 December 2022 and is satisfied that, based on information furnished to it and on its own observations, the present risk management and internal control systems of the Group are effective and adequate.

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 HKEXnews 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 2022.

ALTERATIONS TO THE CONSTITUTIONAL DOCUMENTS

No changes to the constitutional documents of the Company were made during the year ended 31 December 2022.

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 EGMs whenever it thinks fit. EGMs 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 17/F., Far East Finance Centre, 16 Harcourt Road, 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.

The implementation and effectiveness of the above Shareholder communication policy is reviewed annually by the Board to ensure its effectiveness. The Board reviewed the Shareholder communication policy for the Reporting Year and found that the Shareholder communication policy is both effective and adequate as the Board was able to solicit the Shareholders concerns in an efficient manner.

SCOPE AND REPORTING PERIOD

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

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 2022 to 31 December 2022 (the "Reporting Period"), unless otherwise stated. The total cargo throughput was 4,164 thousand tonnes during the Reporting Period.

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 "comply or explain" provisions set out in the ESG Reporting Guide during the Reporting Period.

REPORTING PRINCIPLES

The preparation of the ESG Report has applied the following principles:

Materiality – materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality" in the Report.

Quantitative – key performance indicators ("KPI(s)") have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Balance – performance of the Group was presented in an unbiased and impartial manner. Reasons for omission have been disclosed if the omission is inevitable.

Consistency – consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

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

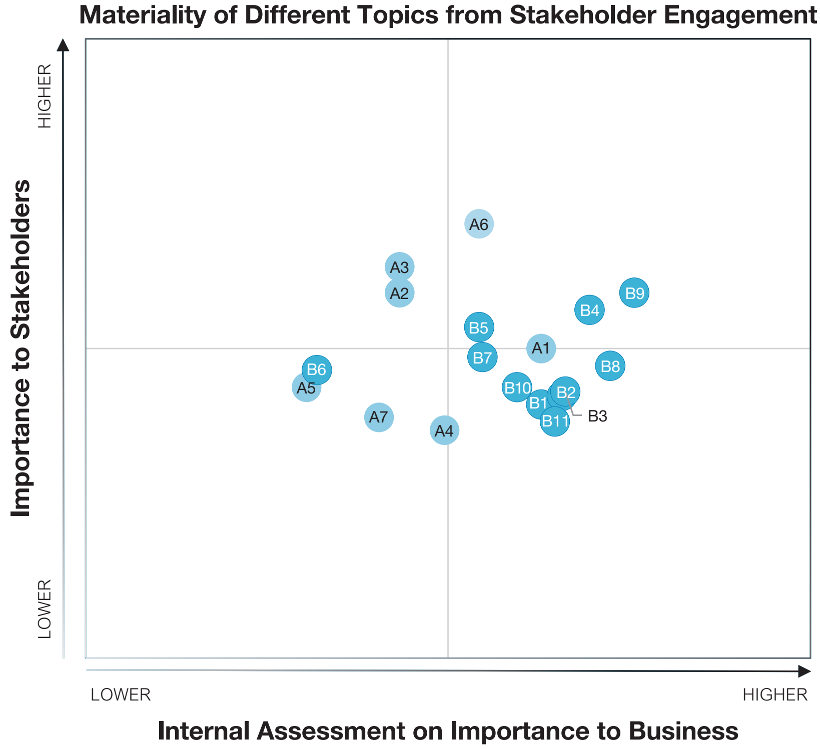
The Company understands that the leadership and participation of the Board is crucial to the implementation of sustainable development strategies. Therefore, the Board bears the responsibility of leading and supervising ESG related matters, and is responsible for leading the Group to seize the opportunities 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 established 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. The ESG task force of the Group comprised management representatives from the terminals of the Group. During annual meetings, the ESG task force reports to the Board and reviews ESG performance and targets, and the ESG report with the Board.

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. The engaged stakeholders and the respective communication channels are listed below.

Stakeholder Groups	Communication Channels
Employees	• Meetings and conferences • Annual employee performance appraisals • Recreational activities and voluntary activities for employees
Shareholders	• General meetings • Annual and interim reports • Announcements and circulars • Company website • Hotline/email
Clients	• Telephone/email • interviews
Suppliers, service providers or contractors	• Telephone/email • Supplier meetings and events

During the Reporting Period, the Group has specifically engaged the Board, senior management, frontline staff, suppliers, clients and regulatory authorities to gain further insights on ESG material aspects and challenges. The Materiality Matrix below shows the result of our materiality assessment process:



Environmental		Social	
A1	Energy	B1	Employment
A2	Water	B2	Occupational Health and Safety
A3	Air Emission	B3	Development and Training
A4	Waste and Effluent	B4	Labor Standards
A5	Other Raw Materials Consumption	B5	Supplier Management
A6	Environmental Protection Measures	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:

- Product/service quality;
- Labour standards;
- Environmental protection measures;
- Energy; and
- Supplier management.

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, and diesel was used for Group-owned light goods vehicles and other mobile machineries including forklifts, contributing to the emissions of 21.22 kg of nitrogen oxides ("NOx"), 7.45 kg of sulphur oxides ("SOx") and 1.95 kg of particulate matter ("PM").

Air Emission Data	2022	2021
NOx (in kg)	**21.22**[1]	0.76
SOx (in kg)	**7.45**	6.51
PM (in kg)	**1.95**	NA[2]

Note 1: The emission of NOx has increased significantly during the Reporting Period when compared to the last reporting period due to a more comprehensive data collection on mileage travelled by the Group's light goods vehicles during the Reporting Period.

Note 2: The emissions of PM are calculated based on the mileage travelled by vehicles. The Group-owned mobile machineries did not involve significant distance travelled. Therefore, PM was not calculated.

A1.2 Greenhouse Gas Emissions

The Group's operation contributed to 2,479.29 tonnes of carbon dioxide equivalent ("tCO_2e") (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emission, with an intensity of 0.60 tCO_2e per thousand tonnes of total cargo throughput.

Scope of Greenhouse Gas Emissions	Emission Sources		2022 Emission (in tonnes of carbon dioxide equivalent "tCO_2e")	2022 Total Emission (in %)	2021 Emission (in tonnes of carbon dioxide equivalent "tCO_2e")	2021 Total Emission (in %)
Scope 1 Direct emissions	Combustion of fuels in stationary sources	LPG	**13.69**	**52%**	12.48	49%
	Combustion of fuels in mobiles sources	Diesel	**1,210.97**		988.21	
		Petrol	**0**		81.15	
	Release of Refrigerants from Operations		**77.27**		66.96	
Scope 2 Energy indirect emission	Purchased electricity		**1,124.98**	**46%**	1,137.96	49%
Scope 3 Other indirect emissions	Paper waste disposed at landfills		**2.53**	**2%**	7.1	2%
	Electricity used for processing fresh water by third parties		**42.40**		50.25	
	Electricity used for processing sewage by third parties		**7.45**		0	
Total GHG emission (in tCO_2e)			**2,479.29**	**100%**	**2,344.11**	**100%**
GHG emission intensity (in tCO_2e/ thousand tonnes of total cargo throughput)			**0.60**		**0.57**	

Note 1: Emission factors were made by reference to Appendix 27 to the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise. Scope 3 emissions were only calculated based on the available emission factors from the referred documentation.

Note 2: Emission for the combustion of LPG in stationary source was calculated with emission factors from Greenhouse Gas Protocol Calculation Tool – GHG Emissions from Stationary Combustion (Chinese fuel).

Note 3: Combined margin emission factor of 0.581 tCO2/MWh and 0.6101 tCO2/MWh were used for purchased electricity in financial years 2022 and 2021 respectively, according to the Ministry of Ecology and Environment of People's Republic of China.

A1.3 Hazardous Waste

A total of 0.23 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 qualified third party for treatment.

Hazardous Waste Data	**2022**	2021
Hazardous waste (in tonnes)	**0.23**	0.20[1]
Hazardous waste generation intensity (in kg/thousand tonnes of total cargo throughput)	**0.06**	0.05[2]

Note 1: The hazardous waste generated in FY 2021 has been restated to reflect the actual situation.

Note 2: Hazardous waste intensity was calculated in FY 2021 based on the hazardous waste generated and the total cargo throughput in FY 2021.

A1.4 Non-hazardous Waste

The Group generated a total of 1.06 tonnes scrap steel and paper waste during the reporting period.

Non-hazardous Waste Data	**2022**	2021
Non-hazardous waste (in tonnes)	**1.06**	1.48
Non-hazardous waste generation intensity (in kg/thousand tonnes of total cargo throughput)	**0.26**	0.36[1]

Note 1: Non-hazardous waste intensity was calculated in FY 2021 based on the non-hazardous waste generated and the total cargo throughput in FY 2021.

A1.5 Measures to Mitigate Emissions

The Group manages its carbon footprint by minimizing its energy consumption. Since 2020, the Group has been purchasing and renting new electric vehicles for work operations and work-related commute. The Group strives to reduce fuel consumption during its business operation and promote the use of electric vehicles. Traditional fuel-propelled aged vehicles with heavy pollution are replaced with electric vehicles or energy-saving vehicles every 5 years.

Emissions are regularly monitored to ensure regulatory compliance. 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 GHG emissions per thousand tonnes of total cargo throughput by 3% per year over the next 10 years[1]. The GHG emissions per thousand tonnes of total cargo throughput during the Reporting Period has increased mainly due to the increased GHG emissions from stationary combustion of diesel. The diesel consumption increased during the Reporting Period since more mobile machinery was used at the terminals to handle an increased cargo throughput of specific types of products. The Board and the management of the Group have reviewed the target and will keep monitor the Group's progress towards achievement of the target.

Indicator	2021 baseline	2031 Target	Reporting Period Performance	Progress
GHG emission intensity	0.57 tCO_2e per thousand tonnes of total cargo throughput	Reduce the total GHG emissions per thousand tonnes of total cargo throughput by 3% per year over the next 10 years	0.60 tCO_2e per thousand tonnes of total cargo throughput	Not achieved and to be monitored

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.

1 The description of the emission reduction target is different from the description in FY 2021 due to an update to provide a more comprehensive clarification of the target.

The Group has a set a target of reducing total waste generation (hazardous and non-hazardous wastes) per thousand tonnes of total cargo throughput by 3% over the next 10 years[2]. The total waste generation intensity during the Reporting Period has reduced significantly when compared to the previous reporting period because of a reduced amount of scrap metal generated. The Group has surpassed the target set during the Reporting Period. The Board and the management of the Group have reviewed the target and will strive to maintain achievement of the target in the years coming.

Indicator	2021 baseline	2031 Target	Reporting Period Performance	Progress
Total waste generation intensity	0.41 kg/ thousand tonnes of total cargo throughput	Reduce the total waste generation (hazardous and non-hazardous wastes) per thousand tonnes of total cargo throughput by 3% over the next 10 years	0.31 kg/ thousand tonnes of total cargo throughput	Achieved and to be monitored

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 2022 (in various units)	Consumption in 2022 (in kilowatt hours "kWh")	Consumption in 2021 (in kWh)
Electricity	**1,936,278 kWh**	**1,936,278**	1,865,197
LPG	**4,321 kg**	**60,229**	57,650
Petrol	**0 litres**	**0[1]**	363,917.6
Diesel	**462,706 litres**	**4,626,197**	4,458,733
TOTAL (kWh)		**6,622,704**	6,745,497.6
Energy intensity (kWh per thousand tonnes of total cargo throughput)		**1,590**	1,643.6

Note 1: The consumption of petrol was zero because equipment such as lawn mowers using petrol was not used during the Reporting Period.

2 The description of the waste reduction target is different from the description in FY 2021 due to an update to provide a more comprehensive clarification of the target.

The Group's business operations resulted in a total energy consumption of 6,622,704 kWh from the use of diesel, electricity, LPG, with an energy intensity of 1,590 kWh per thousand tonnes of total cargo throughput. 1,936,278 kWh of electricity was consumed for daily office and terminal operations; 4,321 kg of LPG was used at canteen and 462,706 litres of diesel were used for Group-owned light goods vehicles and other mobile machineries such as forklifts, diesel pumps and pallet stackers.

A2.2 Water Consumption

The total water consumption for the Group was 99,059 m^3, with an overall intensity of 23.79 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.

The water consumption intensity during the Reporting Period has reduced by 19% when compared to the previous reporting period. It was mainly due to enhanced recycling of wastewater at Tianyuan Terminal.

Water Consumption Data	**2022**	2021
Water consumption (in m^3)	**99,059**	120,496
Water consumption intensity (in m^3/thousand tonnes of total cargo throughput)	**23.79**	29.36

A2.3 Energy Use Efficiency Initiatives

During the previous reporting years, electrically operated cranes have replaced fossil 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; and
- 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.

During the Reporting Period, the Group has set a target of reducing energy consumption per thousand tonnes of total cargo throughput by 1% per year over the next 5 years, using the energy consumption intensity during the Reporting Period as base year.

A2.4 Water Use Efficiency Initiatives

To reduce fresh water consumption, wastewater at terminals is collected and treated onsite with several sedimentation processes, followed by reusing the treated wastewater with high pressure water pumps and sprinklers for dust suppression onsite. During the Reporting Period, a sewage sedimentation tank has been built and has come into operation in Tianyuan Terminal. Wastewater was treated on-site and reused within the terminal. Wastewater discharged is regularly monitored to ensure that the discharge standards are met.

In early 2022, the Group has rolled out the work plan for "reduce cost and increase efficiency", which specified the conservation measures for domestic and production water. The Group has 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; and

- Utilising the water pump washing machine to wash vehicles and equipment.

Since water use was not considered as material topic to the Group and stakeholders according to the results of the materiality assessment, the Group has not set water use reduction targets. 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. Emissions and wastewater discharge are regularly monitored to ensure regulatory compliance.

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.

The Group has no specific policy for climate change. However, it has conducted a risk assessment on the climate risks relevant to its business operation. The physical and transition risks identified, their risk levels and their impact to the business are stated below. These risk levels are expected to increase in the future.

Risk		**Risk Level**	**Impact to business**
Physical Risk	Acute physical risk	Low	Extreme weather events with increased severity during cyclones, hurricanes, storm surges and floods can cause supply chain interruption by bringing damage to local infrastructure, potential damage to offices and disruption to human resources.
	Chronic physical risk	Medium	Longer-term shifts in climate patterns can increase capital costs, operating costs, costs of human resources and increased insurance premiums.
Transition Risk	Technology	Low	During the transitional period, the Group expects increased procurement expenditures to introduce new and alternative technologies, and the additional cost of adopting/deploying new practices and processes.
	Legal and policy	Low	Upon implementation of tightened environmental laws and the carbon pricing system, the Group will expect increased operating costs, increased costs resulting from fines and legal proceedings if non-compliance with newly implemented regulations occurs.
	Market	Low	During the transitional period, the Group might face a decrease in revenue due to higher environmental requirements of clients, if no strategy has been set accordingly.
	Reputation	Low	Stakeholders' concerns and negative news regarding climate-related issues in the Group might impact the stock price and market capitalisation of the Group, hence increasing the liquidity risk.

Climate Change Management

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. Chronic physical risk was considered in medium level to the Group's operation. The Group has adopted the following measures with respect to the physical risks:

- Develop emergency plans to reduce risks triggered by extreme weather;
- Purchase insurance covering physical loss due to extreme weather;
- Enhance and review structure of assets regularly; and
- Provide monetary subsidies to alleviate employees' hardship during extreme heatwaves, including offering refreshments such as herbal teas and desserts.

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. Corresponding to the identified transition risks, the Group has adopted the following measures:

- Apply for national support based on climate change or environmental policies, such as subsidies for energy efficient appliances; and
- Purchase energy efficient equipment and tools to enhance production efficiency.

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. Based on the current trend, the Group 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 226 employees as of 31 December 2022, with all employees full-time in the PRC. The Group did not note any cases of material non-compliance in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the Reporting Period, 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

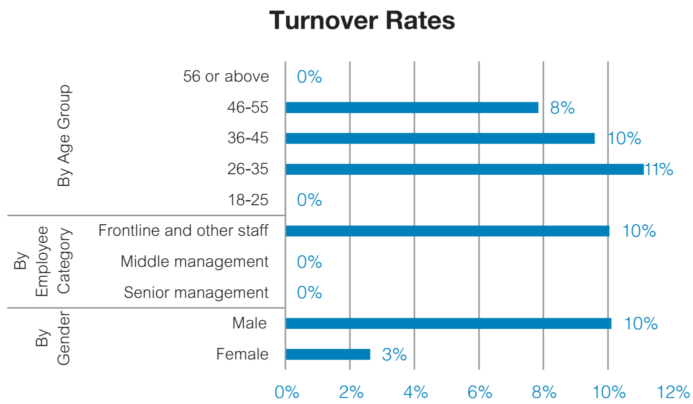
– Discrimination (Employment and Occupation) Convention

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

Workforce	**2022**	2021
Total employees	**226**	231
By Gender		
Female	**17%**	16%
Male	**83%**	84%
By Employee Category		
Senior Management	**2%**	1%
Middle Management	**10%**	10%
Frontline and other Employees	**88%**	89%
By Age Group		
18–25	**7%**	7%
26–35	**36%**	36%
36–45	**32%**	35%
46–55	**22%**	19%
56 or above	**3%**	3%

Turnover

A total number of 20 full-time employees from the PRC left the Group during the Reporting Period, representing an annual turnover rate of 9%[3]. 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.

3 The annual turnover rate was calculated by the employees who have left the Group during the Reporting Period/total number of employees as of 31 December of the Reporting Period*100%.

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.

	2022	2021	2020
Work related fatality	**0**	0	0
Work injury cases≥3 days	**0**	0	1
Work injury cases <3 days	**0**	0	0
Lost days due to work injury	**0**	0	60

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.

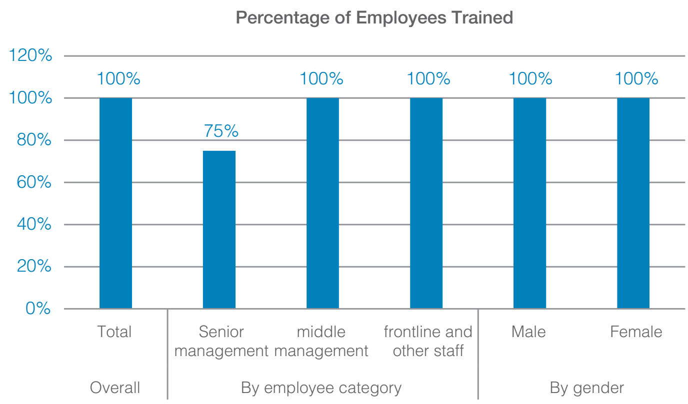
Personal protection equipment ("PPE") is provided to every employee according to their work positions, and there are clear corporate regulations on the purchase, distribution, usage, replacement, and disposal of PPE. Local government procedures on occupational health and safety are followed to carry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

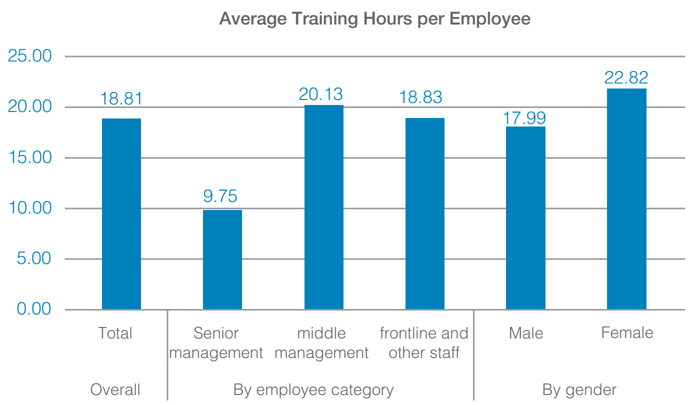
During the Reporting Period, Tianyuan Terminal and Zhengyuan Terminal were certified with the Transportation Enterprise Safe Production Standardized Construction Grade Certificate.

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 4,250 hours of training to 257 employees. The details of staff training during the Reporting Period 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. If such practice is discovered, the Group will take action according to the Group's regulations and the regulations of the PRC. The Group will also immediately end the contract with the involved subcontractors or employee, and investigate the case to avoid recurrence.

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.

During the Reporting Period, the Group engaged 88 suppliers from Mainland China for:

- Mechanical components;
- Sub-contractors;
- Fuel supplies;
- Utilities;
- Labor protection supplies; and
- Construction work.

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 ant-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 with a focus area on local support. During the Reporting Period, the Group has not participated nor contributed to any community engagement activities due to the restrictions of the COVID-19 pandemic. The Group will resume participation in community investment activities in the next financial year when possible.

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 69 of this Annual Report.

The state of affairs of the Group as at 31 December 2022 is set out in the consolidated balance sheet on pages 70 to 71 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 73 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 132 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 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

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

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

Accordingly, Ms. Tong Wai Man, Professor Wu Jinwen and Mr. Huang Yaohui 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 2022 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 2022, 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 2022, 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 2022, 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 2022, 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 exempt connected transactions or fully exempt and non-exempt continuing connected transactions. The fully exempt connected transactions are exempt from reporting, annual review, announcement and independent Shareholder's approval requirements while the non-exempt continuing connected transactions are subject to annual review, independent Shareholders' approval and all disclosure requirements under Chapter 14A of the Listing Rules.

Non-exempt and Non-fully exempt Continuing Connected Transactions

Trade Framework Agreement

On 1 November 2022, the Company and Maoming Tianyuan entered into the trade framework agreement ("Trade Framework Agreement"), pursuant to which the Company will supply crude oil, fuel oil and diluted asphalt to Maoming Tianyuan for three years from 1 January 2023. Pursuant to the Trade Framework Agreement, the annual caps for the three years ending 31 December 2023, 2024 and 2025 are RMB500 million, RMB650 million and RMB850 million, respectively.

As the equity interest of Maoming Tianyuan is owned as to 95% by Mr. Yang and Mr. Yang is an executive Director, the chairman of the Board, the chief executive officer and one of the Controlling Shareholders, Maoming Tianyuan is a an associate of Mr. Yang and a connected person of the Company. Accordingly, the transactions under the Trade Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

For details of the continuing connected transactions under the Trade Framework Agreement, please refer to the announcements of the Company dated 1 November 2022, 22 November 2022, 13 December 2022 and the circular dated 29 December 2022.

2023 Terminal Services Framework Agreement

On 29 December 2022, Tianyuan and Zhengyuan (as service providers) (the "Service Providers"); and Tianyuan Petrochemical and Maoming Tianyuan (as customers) entered into the terminal services framework agreement (the "2023 Terminal Services Framework Agreement") for a term of one year commencing from 1 January 2023 to 31 December 2023, which renewed the 2020 terminal services agreements entered into between the parties. Pursuant to the 2023 Terminal Services Framework Agreement, the Service Providers agreed to provide terminal uploading and unloading services to Tianyuan Petrochemical and/or Maoming Tianyuan. The proposed annual cap for the year ending 31 December 2023 under the 2023 Terminal Services Framework Agreement is RMB8 million.

Maoming Tianyuan is owned as to 95% by Mr. Yang, and Tianyuan Petrochemical is indirectly owned as to 99% by Mr. Yang. Since Mr. Yang is an executive Director, the chairman of the Board, the chief executive officer and the controlling shareholder of the Company, both Tianyuan Petrochemical and Maoming Tianyuan are connected persons of the Company as they are associates of Mr. Yang. Accordingly, the transactions under the 2023 Terminal Services Framework Agreement constitute continuing connected transactions of the Company.

For details of the continuing connected transactions under the 2023 Terminal Services Framework Agreement, please refer to the announcement of the Company dated 29 December 2022.

2020 Terminal Services Framework Agreements

On 13 March 2020, Tianyuan and Zhengyuan, both being subsidiaries of the Company, entered into (i) a terminal uploading and unloading services framework agreement with Maoming Tianyuan; and (ii) a terminal uploading and unloading services framework agreement with 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 "2020 Terminal Services Framework Agreements") to amend the aforesaid two framework agreements. Pursuant to the 2020 Terminal Services 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.

As described above, both Tianyuan Petrochemical and Maoming Tianyuan are connected persons of the Company and the transactions contemplated under the 2020 Terminal Services Framework Agreements constituted continuing connected transactions of the Company.

For details of the continuing connected transactions under the 2020 Terminal Services Framework Agreements, please refer to the Company's announcements dated 13 March 2020, 20 March 2020 and 24 July 2020 and the circular dated 14 August 2020.

Confirmation of the independent non-executive Directors

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 above 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 caps 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 RMB0.04 per ordinary share for the year ended 31 December 2022, amounted to RMB24,000,000 based on 600,000,000 shares in issue as at 31 December 2022.

The proposed final dividend will be paid to Shareholders whose names appear on the register of members of the Company on 9 June 2023, 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 26 June 2023.

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 31 March 2023, which is RMB1 to approximately HK$1.1425. Each Eligible Shareholder will receive a dividend of HK$0.0457 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	37.4%	Not applicable
Five largest customers in aggregate	81.2%	Not applicable
The largest supplier	Not applicable	52.5%
Five largest suppliers in aggregate	Not applicable	97.2%

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 2022 amounted to approximately RMB132.2 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 2022.

ANNUAL GENERAL MEETING

The 2023 AGM of the Company is scheduled to be held on Friday, 2 June 2023. A notice convening the 2023 AGM will be published on the HKEXnews website and the Company's website and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

In relation to the 2023 AGM

For the purpose of determining the list of Shareholders who are entitled to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023 (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 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Monday, 29 May 2023.

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, 8 June 2023 to Friday, 9 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road Hong Kong for registration no later than 4:30 p.m. on Wednesday, 7 June 2023.

DONATIONS

During the Reporting Year, no charitable donation made by the Group.

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 2022 and up to the date of this Annual Report.

SUBSEQUENT EVENT

On 20 March 2023, Fortune Oil PRC Holdings Limited (富地中國投資有限公司) ("Fortune Oil PRC") and the Company entered into the capital contribution deed, pursuant to which Fortune Oil PRC and the Company agreed to contribute the outstanding principal and interest under certain shareholder loans and other loan lent to Fortune Tian Yuan Petrochemical Limited (富地天源石化有限公司) (the "JV Company") which amounts to HK$196,882,285.36 and HK$2,135,772.96 for each of Fortune Oil PRC and the Company, as consideration for the subscription of 242,482,329 new shares and 2,630,441 new shares to be allotted and issued by the JV Company to each of Fortune Oil PRC and the Company, respectively.

The Directors are of the view that the Capital Contribution Deed can assist the JV Company to capitalize the shareholder loans and other loan, increase the share capital of the JV Company and lower interest expense of the JV Company.

Although the capital contribution will result in lowering the Company's percentage of shares from 30% to 6.37% in the share capital of the JV Company and that it will limit the Company's participation in the board of directors of the JV Company and voting rights in the JV Company, the Board expects that nevertheless the investment in the JV Company will enhance future earning capability and potential of the Group in the future and the capital contribution allows the JV Company to optimise its financial structure with lower cost to support its subsequent business development.

Except as set out above, from 31 December 2022 to the date of this Annual Report, there has not been any significant events affecting the Group.

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 2022 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 2023 AGM.

On behalf of the Board

Yang Jinming
Chairman and Chief Executive Officer

Hong Kong, 31 March 2023

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 69 to 131, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS 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 matters identified in our audit are summarised as follows:

- Assessment of the expected credit losses of trade receivables
- Assessment of net realisable value of inventories

Key Audit Matters	How our audit addressed the Key Audit Matters
Assessment of the expected credit losses of trade receivables	
Refer to Note 3.1.2 "credit risk", Note 4(b) "Critical accounting estimates and judgments – Expected credit losses of trade receivables" and Note 17 "Trade and other receivables" to the consolidated financial statements. As at 31 December 2022, the Group's gross carrying amount of trade receivables amounted to RMB8,788,000, with no provision of allowance for expected credit losses recognised to the consolidated balance sheet. 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 and financial position as well as other factors that impacted their ability of repayment. Management also took into account of the current market conditions and forward-looking factors.	We have performed the following procedures in respect of the assessment of expected credit losses of trade receivables: (a) obtained an understanding of the Group'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; (b) evaluated and validated the key internal controls in place, on a sample basis, including management's ageing analysis review and regular assessment on recoverability; (c) 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; (d) evaluated the appropriateness of the methodology and the reasonableness of key assumptions: (i) assessed the appropriateness of customer grouping based on our understanding on the Group's business process, the credit control process and the credit risk characteristics of trade receivables; (ii) assessed the reasonableness of significant assumptions used in estimating the loss rate by comparing the ultimate loss rate used in calculating the historical loss rate with the historical repayment performance; (iii) challenged and evaluated management's assessment on the financial positions of the customers, existing markets conditions and forward-looking factors with reference to our understanding of the Group's business and industry and external macroeconomic data;

Key Audit Matters	How our audit addressed the Key Audit Matters
The assessment of expected credit losses of trade receivables is considered a key audit matter given the judgements and estimations in relation to the assessment are subject to higher degree of uncertainty. The inherent risk in relation to the assessment is considered relatively higher due to the complexity of models and subjectivity of significant assumptions and data used in the estimation of expected credit losses.	(e) 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; and (f) Assessed the adequacy of the disclosures related to assessment of expected credit losses of trade receivables. 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 supportable by the evidence obtained and procedures performed.
Assessment of net realisable value of inventories	
Refer to Note 2.10 "Inventories", Note 4(c) "Critical accounting estimates and judgments – Net realisable value of inventories" and Note 18 "Inventories" to the consolidated financial statements. As at 31 December 2022, the Group's gross carrying amount of inventories amounted to RMB160,804,000, representing approximately 34% of the total assets of the Group, with no write-down of inventories. Inventories are stated at lower of cost and net realisable value in the consolidated financial statements. The estimation of the net realisable value of inventories involves significant judgement based on the estimated selling prices in the ordinary course of business less applicable variable selling expenses. Management may refer to the available price in the open market or the subsequent selling price if the open market information is not available, when estimating the future selling prices.	We have performed the following procedures in respect of the assessment of net realisable value of inventories: (a) obtained an understanding of the Group'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 subjectivity of significant assumptions and data used; (b) evaluated and validated the key internal controls on assessment process of net realisable value of inventories, and tested, on a sample basis; (c) evaluated the appropriateness of the methodology and the reasonableness of key assumptions: (i) discussed with management the method and assumptions used in the assessment of net realisable value of inventories; (ii) evaluated the outcome of prior-period assessment to assess the effectiveness of management's estimation process; (iii) assessed the reasonableness of methods and assumption applied by challenging management's estimated future selling prices and applicable variable selling expenses, with reference to open market data and industry trend;

Key Audit Matters	How our audit addressed the Key Audit Matters
The assessment of net realisable value of inventories is considered a key audit matter given the significance of inventory balance and the significant judgements and estimations in relation to the assessment of net realisable value of inventories are subject to higher degree of uncertainty. The inherent risk in relation to the assessment is considered relatively higher due to the subjectivity of significant assumptions and data used in the assessment of net realisable value of inventories.	(d) checked the mathematical accuracy of the calculation of the net realisable value of inventories; (e) compared the carrying amount of inventories, on a sample basis, to their net realisable value through review of sales subsequent to the year end; and (f) observed the physical condition of inventories during stocktake to identify if any inventories were damaged or obsolete, and inquired management if appropriate inventory provision has been made. Based on the work performed, we found that management's judgements, assumptions and data applied in the assessment of the net realisable value of inventories were supportable by the evidence obtained and procedures performed.

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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	*5*	**317,901**	295,099
Cost of sales	*7*	**(263,785)**	(239,439)
Gross profit		**54,116**	55,660
Other (losses)/gains – net	*6*	**(553)**	715
Selling and administrative expenses	*7*	**(16,707)**	(16,937)
Operating profit		**36,856**	39,438
Finance costs – net	*9*	**(936)**	(3,296)
Finance income		**254**	42
Finance costs		**(1,190)**	(3,338)
Share of results of a joint venture	*15*	**(584)**	(2,499)
Profit before income tax		**35,336**	33,643
Income tax expense	*10*	**(11,272)**	(13,458)
Profit for the year		**24,064**	20,185
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**24,064**	20,185
Profit and other comprehensive income attributable to:			
Owners of the Company		**17,481**	12,718
Non-controlling interests	*25*	**6,583**	7,467
		24,064	20,185
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	*11*	**0.0291**	0.0212

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

		As at 31 December	
		2022	2021
	Notes	**RMB'000**	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*12*	**154,318**	157,897
Right-of-use assets	*13*	**46,713**	48,955
Intangible assets	*14*	**149**	167
Investment in a joint venture	*15*	**10,381**	10,965
Prepayments	*19*	**37**	1,410
Deferred income tax assets	*16*	**–**	8
		211,598	219,402
Current assets			
Trade and other receivables	*17*	**30,651**	14,113
Amounts due from a related party	*17*	**1,783**	1,268
Inventories	*18*	**160,804**	–
Prepayments and other assets	*19*	**772**	803
Restricted cash	*20*	**46,830**	1,130
Term deposits	*21*	**–**	801
Cash and cash equivalents	*22*	**18,464**	145,998
		259,304	164,113
Total assets		**470,902**	383,515
EQUITY			
Equity attributable to owners of the Company			
Share capital	*23*	**4,895**	4,895
Share premium	*23*	**163,478**	184,478
Other reserves	*24*	**(12,803)**	(20,005)
Retained earnings		**142,699**	132,420
		298,269	301,788
Non-controlling interests	*25*	**51,926**	51,743
Total equity		**350,195**	353,531

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	*13*	**161**	555
Deferred income tax liabilities	*16*	**1,463**	2,581
		1,624	3,136
Current liabilities			
Trade, bills and other payables and accruals	*26*	**92,384**	12,109
Borrowings	*27*	**–**	5,700
Contract liabilities	*5*	**20,502**	1,393
Current income tax liabilities		**5,803**	7,279
Lease liabilities	*13*	**394**	367
		119,083	26,848
Total liabilities		**120,707**	29,984
Total equity and liabilities		**470,902**	383,515

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

The financial statements on pages 69 to 131 were approved by the board of directors of the Company (the "Board") on 31 March 2023 and were signed on their behalf.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 other 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
For the year ended 31 December 2022										
As at 1 January 2022	**4,895**	**184,478**	**(64,894)**	**31,021**	**5,500**	**8,368**	**132,420**	**301,788**	**51,743**	**353,531**
Profit and other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**17,481**	**17,481**	**6,583**	**24,064**
Appropriation to production safety reserve	**-**	**-**	**-**	**-**	**-**	**958**	**(958)**	**-**	**-**	**-**
Appropriation to statutory surplus reserve	**-**	**-**	**-**	**-**	**6,244**	**-**	**(6,244)**	**-**	**-**	**-**
Dividends to owners of the Company *(Note 28)*	**-**	**(21,000)**	**-**	**-**	**-**	**-**	**-**	**(21,000)**	**-**	**(21,000)**
Dividends to non-controlling interests in subsidiaries *(Note 25(a))*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,400)**	**(6,400)**
As at 31 December 2022	**4,895**	**163,478**	**(64,894)**	**31,021**	**11,744**	**9,326**	**142,699**	**298,269**	**51,926**	**350,195**

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 2022

		Year ended 31 December	
		2022	2021
	Notes	**RMB'000**	RMB'000
Cash flow from operating activities			
Cash (used in)/generated from operations	*29*	**(73,407)**	202,352
Interest received		**254**	42
Interest paid		**(359)**	(3,258)
Other finance costs paid		**(777)**	–
Income tax paid		**(13,858)**	(11,385)
Net cash (used in)/generated from operating activities		**(88,147)**	187,751
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment		**66**	26
Purchases of property, plant and equipment and right-of-use assets		**(6,199)**	(12,763)
Purchases of intangible assets		**(19)**	–
Decrease in term deposits		**801**	1,472
Increase in amounts due from a related party		**(515)**	(1,268)
Net cash used in investing activities		**(5,866)**	(12,533)
Cash flows from financing activities			
Proceeds from borrowings		**–**	45,700
Repayments of borrowings		**(5,700)**	(85,700)
Dividends paid to the owners of the Company		**(21,000)**	(20,400)
Dividends paid to non-controlling interests in subsidiaries		**(6,400)**	(7,200)
Principal elements and interest elements of lease payments		**(421)**	(421)
Net cash used in financing activities		**(33,521)**	(68,021)
Net (decrease)/increase in cash and cash equivalents		**(127,534)**	107,197
Cash and cash equivalents at beginning of the year		**145,998**	38,801
Cash and cash equivalents at end of the year	*22*	**18,464**	145,998

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 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 31 March 2023.

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 the disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure 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 amendments or annual improvements for the first time for their annual reporting year commencing 1 January 2022:

•	Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
•	Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
•	Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020
•	Amendments to HKFRS 3	Reference to the Conceptual Framework
•	Accounting guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

The amendments or annual improvements 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.

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 2022 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 HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contract (new standard and amendments)	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 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	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single Transaction	1 January 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

2.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

2.2.1 Subsidiaries *(Continued)*

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.

2.2.4 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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 (losses)/ 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 (losses)/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. For other receivables, the Group applies either 12-month or lifetime expected losses method to assess the expected credit losses depending on whether there has been a significant increase in credit risk since initial recognition.

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 a related party

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

Trade and other receivables and amounts due from a related party are 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.

2.14 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, bills and other payables and accruals

Trade, bills and other payables and accruals are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and other payables and accruals are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade, bills and other payables and accruals 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.

2.18 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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
- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Leases *(Continued)*

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.

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 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk

(a) *Foreign exchange risk*

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

Other than accruals of RMB304,000 and RMB260,000 as at 31 December 2022 and 2021 which were denominated in HK$ and cash and cash equivalents of RMB1,160,000 and RMB1,634,000 as at 31 December 2022 and 2021 which were denominated in HK$, and amounts due from a related party of RMB1,783,000 and RMB1,268,000 as at 31 December 2022 and 2021 which were denominated in HK$, the Group had no other material foreign currency denominated assets and liabilities. As at 31 December 2022 and 2021, 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 2022 and 2021 would have been RMB132,000 and RMB132,000 higher/lower, 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 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 year ended 31 December 2022 ranged from 2.25% to 0.01% (2021: 0.35% to 0.01%). Any changes in interest rates are not considered to have significant cash flow 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 a related party.

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

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 2022 and 2021, most of 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. Management does not expect that there will be any significant losses from non-performance by these counterparties. The Group's bank deposits as at 31 December 2022 and 2021 are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Big four commercial banks *(Note (i))*	**15,085**	142,606
Other listed banks	**3,278**	4,111
Other non-listed banks *(Note (ii))*	**46,915**	1,207
	65,278	147,924

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

(ii) Other non-listed banks mainly include Guangdong Huaxing Bank, whose credit rating is AA+.

(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.

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 credit loss rates of trade receivables from provision of uploading and unloading services and related ancillary value-added port services are assessed low as at 31 December 2022 (2021: same).

No provision was made for the trade receivables as at 31 December 2022 and 2021 as the loss allowance provision for these balances was not material.

(iii) Other receivables and amounts due from a related party

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

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk *(Continued)*

(iii) Other receivables and amounts due from a related party (Continued)

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

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

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

As at 31 December 2022 and 2021, management considers other receivables and amounts due from a related party 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 2022					
Trade, bills and other payables and accruals (excluding accrual for staff costs and allowances and other tax payables)	**84,201**	**–**	**–**	**–**	**84,201**
Lease Liabilities	**422**	**98**	**74**	**–**	**594**
	84,623	**98**	**74**	**–**	**84,795**

	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, bills 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

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 2022 and 2021 is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Total debt	**555**	6,622
Total equity	**350,195**	353,531
Gearing ratio	**0.2%**	1.9%

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 amounts due from a related party and financial liabilities including borrowings and trade, bills and other payables and accruals. Their carrying values approximated their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Income taxes and deferred income tax

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 income tax in the year in which such determination is made.

(b) Expected credit losses of trade receivables

For trade receivables, 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. 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 and financial position as well as other factors that impacted their ability of repayment at the end of each reporting period. Management also took into account of the current market conditions and forward-looking factors. Management reassesses the provision at each balance sheet date.

(c) 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. 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 2022 and as at 31 December 2022 is listed as follows:

	Year ended 31 December 2022		
	Cargo handling and ancillary services RMB'000	Sales of oil products RMB'000	Total RMB'000
Total segment revenue	87,369	230,532	317,901
– Revenue from external customers	87,369	230,532	317,901
Segment results – gross profit	40,338	13,778	54,116
Other losses – net			(553)
Selling and administrative expenses			(16,707)
Finance costs – net			(936)
Share of results of a joint venture			(584)
Profit before income tax			35,336
Income tax expenses			(11,272)
Profit for the year			24,064
Other information:			
– Depreciation and amortisation	12,963	310	13,273

5 SEGMENT INFORMATION AND REVENUE *(Continued)*

The segment information for the year ended 31 December 2022 and as at 31 December 2022 is listed as follows (continued):

	As at 31 December 2022		
	Cargo handling and ancillary services RMB'000	Sales of oil products RMB'000	Total RMB'000
Segment assets	**295,261**	**164,971**	**460,232**
Unallocated assets:			
– Head office			**289**
– Investment in a joint venture			**10,381**
Total assets			**470,902**
Segment liabilities	**92,934**	**20,507**	**113,441**
Unallocated liabilities:			
– Current income tax liabilities			**5,803**
– Deferred income tax liabilities			**1,463**
Total liabilities			**120,707**

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:

	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
Selling and administrative 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

	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)*

(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	
	2022	2021
	RMB'000	RMB'000
Revenue from sales of goods	**229,749**	205,217
Revenue from provision of uploading and unloading services	**85,928**	85,097
Rental income	**1,441**	1,441
Service income	**783**	3,344
	317,901	295,099
Revenue recognised under HKFRS 15 – over time	**87,369**	86,538
Revenue recognised under HKFRS 15 – at a point in time	**230,532**	208,561
	317,901	295,099

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	
	2022	2021
	RMB'000	RMB'000
Customer A:	**119,007**	163,783
Customer B:	**111,525**	44,778

5 SEGMENT INFORMATION AND REVENUE *(Continued)*

(c) Contract liabilities

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities related to sale of goods	**20,000**	–
Contract liabilities related to uploading and unloading services	**392**	678
Contract liabilities related to rental services	**110**	715
	20,502	1,393

(i) Revenue recognised in relation to contract liabilities

The following table shows the amount of revenue recognised for the years ended 31 December 2022 and 2021 relates to the carried-forward contract liabilities balance.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at 1 January 2022 and 2021		
Rental income	**715**	1,696
Revenue from provision of uploading and unloading services	**678**	794
Sale of goods	**–**	16,800
	1,393	19,290

(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 (LOSSES)/GAINS – NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net foreign exchange (losses)/gains	**(1,002)**	232
Government grants	**238**	217
Gains on additional deduction of VAT	**118**	127
Gains on disposals of property, plant and equipment	**19**	2
Others	**74**	137
	(553)	715

7 EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of goods sold	**215,845**	195,547
Employee benefit expenses *(Note 8)*	**27,951**	26,888
Depreciation of property, plant and equipment *(Note 12)*	**10,994**	10,672
Labour services fee	**6,560**	5,071
Fuel expenditures	**2,892**	1,915
Repair and maintenance expenses	**2,368**	2,256
Depreciation of right of use assets *(Note 13)*	**2,242**	2,242
Professional service expenses	**1,615**	2,116
Electricity and water expenditures	**1,619**	1,445
Business tax and other levies	**1,591**	1,551
Auditors' remuneration	**1,329**	1,480
Production safety expenses	**943**	865
Travelling expenses	**660**	617
Transportation costs	**524**	514
Insurance costs	**462**	483
Office expenses	**384**	354
Amortisation of intangible assets *(Note 14)*	**37**	35
Other expenses	**2,476**	2,325
Total cost of sales, selling and administrative expenses	**280,492**	256,376

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries, wages and bonuses	**21,556**	20,789
Contributions to pension plans	**4,071**	3,758
Welfare, medical and other expenses	**2,324**	2,341
	27,951	26,888

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 include two (2021: two) directors whose emoluments are reflected in the analysis presented below. The emoluments payable to the remaining three (2021: three) individuals during the year are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries, wages and bonuses	**1,309**	1,229
Contributions to pension plans	**30**	28
Welfare, medical and other expenses	**9**	10
	1,348	1,267

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

	Number of individuals Year ended 31 December	
	2022	2021
Emolument bands:		
Nil to HK$1,000,000	**3**	3

9 FINANCE COSTS – NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Finance costs		
– Interest expenses for bank borrowings	**(359)**	(3,258)
– Interest expenses for lease liabilities	**(54)**	(80)
– Other finance costs	**(777)**	–
	(1,190)	(3,338)
Finance income		
– Interest income on bank deposits	**222**	42
– Interest income on amounts due from a related party	**32**	–
	254	42
Finance costs – net	**(936)**	(3,296)

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 2022 (2021: same).

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 2022 and 2021 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 2022 was 5% (2021: 10%).

10 INCOME TAX EXPENSE *(Continued)*

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax		
– Corporate income tax	**11,014**	11,170
– Withholding income tax	**1,368**	–
	12,382	11,170
Deferred income tax		
– Corporate income tax	**(10)**	(12)
– Withholding income tax	**(1,100)**	2,300
	(1,110)	2,288
	11,272	13,458

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	
	2022	2021
	RMB'000	RMB'000
Profit before income tax	**35,336**	33,643
Tax calculated at a tax rate of 25%	**8,834**	8,411
Tax effects of:		
– Different income tax rates of certain companies	**1,363**	1,825
– Expenses not deductible for tax purpose	**514**	523
– Tax losses for which no deferred income tax asset was recognised	**303**	411
– Others	**(10)**	(12)
PRC corporate income tax	**11,004**	11,158
Withholding income tax	**268**	2,300
	11,272	13,458

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 2022 and 2021.

	Year ended 31 December	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	**17,481**	12,718
Weighted average number of ordinary shares in issue (thousand shares)	**600,000**	600,000
Basic earnings per share (expressed in RMB)	**0.0291**	0.0212

(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 2022 and 2021.

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 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
Year ended 31 December 2022									
Opening net book amount	**10,749**	**114,927**	**21,652**	**4,477**	**467**	**428**	**257**	**4,940**	**157,897**
Additions	**180**	**462**	**957**	**–**	**120**	**14**	**–**	**5,729**	**7,462**
Transfers	**541**	**495**	**8,644**	**–**	**–**	**–**	**–**	**(9,680)**	**–**
Disposals	**(29)**	**(1)**	**–**	**–**	**(17)**	**–**	**–**	**–**	**(47)**
Depreciation charge	**(644)**	**(7,109)**	**(2,652)**	**(310)**	**(167)**	**(100)**	**(12)**	**–**	**(10,994)**
Closing net book amount	**10,797**	**108,774**	**28,601**	**4,167**	**403**	**342**	**245**	**989**	**154,318**
At 31 December 2022									
Cost	**17,774**	**174,787**	**54,193**	**8,929**	**2,832**	**1,662**	**354**	**989**	**261,520**
Accumulated depreciation	**(6,977)**	**(66,013)**	**(25,592)**	**(4,762)**	**(2,429)**	**(1,320)**	**(109)**	**–**	**(107,202)**
Net book amount	**10,797**	**108,774**	**28,601**	**4,167**	**403**	**342**	**245**	**989**	**154,318**

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of sales	**10,077**	9,639
Selling and administrative expenses	**917**	1,033
	10,994	10,672

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

(c) As at 31 December 2022, the Group was in the process of applying for the ownership certificates of certain properties with an aggregate carrying value of approximately RMB1,798,000.

(d) As at 31 December 2022 and 2021, the costs of fully depreciated property, plant and equipment were RMB22,240,000 and RMB21,128,000, respectively.

(e) As at 31 December 2022, property, plant and equipment with carrying amounts of RMB21,199,000 were pledged as collaterals for the bills payable of the Group (2021: RMB22,817,000).

13 LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Right-of-use assets		
Office buildings	**504**	871
Sea area use rights	**8,451**	8,736
Land use rights	**37,758**	39,348
	46,713	48,955
Lease liabilities		
Current	**394**	367
Non-current	**161**	555
	555	922

13 LEASES *(Continued)*

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

As at 31 December 2022, sea area use rights with carrying amounts of RMB585,000 were pledged as collaterals for the bills payable of the Group (2021: RMB601,000).

As at 31 December 2022, certain land use rights with carrying amount of RMB17,223,000 was pledged as collaterals for the bills payable of the Group (2021: RMB17,842,000).

As at 31 December 2022, 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	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Office buildings	**367**	367
Sea area use rights	**285**	285
Land use rights	**1,590**	1,590
	2,242	2,242
Interest expense (included in finance cost)	**54**	80

The total cash outflow for leases in 2022 was RMB421,000 (2021: RMB421,000).

(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 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
Year ended 31 December 2022	
Opening net book amount	**167**
Additions	**19**
Amortisation charge	**(37)**
Closing net book amount	**149**
At 31 December 2022	
Cost	**492**
Accumulated amortisation	**(343)**
Net book amount	**149**

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Selling and administrative expenses	**37**	35

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 2021	
Opening net book amount	13,464
Share of results	(2,499)
Closing net book amount	10,965
Year ended 31 December 2022	
Opening net book amount	**10,965**
Share of results	**(584)**
Closing net book amount	**10,381**

(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 ("Fortune Oil PRC"), 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	
	2022	2021
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	**–**	8
Deferred tax liabilities:		
– to be recovered after more than 12 months	**(253)**	(271)
– to be recovered within 12 months	**(1,210)**	(2,310)
	(1,463)	(2,581)
Deferred tax liabilities – net	**(1,463)**	(2,573)

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 2022 and 2021 are set as follows:

	Deferred tax assets	**Deferred tax liabilities**	
	Timing difference on lease adopted RMB'000	**Timing difference on construction in progress RMB'000**	**Withholding tax RMB'000**
As at 31 December 2021	8	(281)	(2,300)
Credited to profit or loss	8	18	1,100
As at 31 December 2022	–	(263)	(1,200)

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 2020	6	(291)	–
Credited/(charged) to profit or loss	2	10	(2,300)
As at 31 December 2021	8	(281)	(2,300)

The Group did not recognise deferred income tax assets of RMB2,086,000 and RMB1,783,000 in respect of tax losses amounting to RMB11,810,000 and RMB10,132,000 as at 31 December 2022 and 2021 that can be carried forward against future taxable income, respectively. Losses amounting to RMB312,000 and RMB189,000 will expire in 2028 and 2027 respectively.

As at 31 December 2022 and 2021, the Group had unrecognised deferred income tax liabilities of RMB7,356,000 and RMB14,697,000 respectively that would otherwise be payable as withholding tax in respect of the undistributed profits of the Group's PRC subsidiaries. No provision has been made in respect of such withholding tax as the Directors have confirmed that such profits will not be distributed out of the PRC in the foreseeable future.

17 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM A RELATED PARTY

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables *(Note (a))*		
– third parties	**7,627**	8,273
– related parties *(Note 31(d))*	**1,161**	1,386
Less: allowance for impairment of trade receivables	**–**	–
Trade receivables – net	**8,788**	9,659
Notes receivable – third parties	**900**	4,100
Other receivables – third parties	**282**	318
VAT recoverable	**20,681**	36
	30,651	14,113
Amounts due from a related party *(Note 31(d))*	**1,783**	1,268

(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	
	2022	2021
	RMB'000	RMB'000
Less than 30 days	**7,696**	8,781
31 to 60 days	**896**	480
61 to 90 days	**196**	194
91 to 365 days	**–**	204
	8,788	9,659

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

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
– RMB	**30,651**	14,113
– HK$	**1,783**	1,268
	32,434	15,381

(c) As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk was the carrying value of each class of trade and other receivables and amounts due from a related party mentioned above. The Group does not hold any collateral as security.

(d) As at 31 December 2022 and 2021, the fair values of trade and other receivables and amounts due from a related party approximate their carrying amounts due to their short-term maturities.

18 INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Oil products	**160,804**	–

During the year ended 31 December 2022, the cost of inventories recognised as expenses and included in "cost of sales" in profit and loss amounted to RMB215,845,000 (2021: RMB195,547,000). There was no write-down of inventory during the year ended 31 December 2022 and 2021.

19 PREPAYMENTS AND OTHER ASSETS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Prepayments for electricity and other expenses	**772**	803
Prepayments for construction and acquisition of property, plant and equipment	**37**	1,410
	809	2,213
Less: non-current portion of prepayments	**(37)**	(1,410)
Current portion of prepayments and other assets	**772**	803

20 RESTRICTED CASH

As at 31 December 2022, the restricted cash mainly comprised of guarantee deposits for bills payable.

21 TERM DEPOSITS

As at 31 December 2022, there were no term deposits. As at 31 December 2021, the initial terms of the Group's term deposits were one month. The annual interest rates of the Group's term deposits held in banks throughout the year ended 31 December 2022 ranged from 0.55% to 1.88% per annum (2021: 0.08% to 1.88%).

22 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash at banks	**18,448**	145,993
Cash on hand	**16**	5
Total cash and cash equivalents	**18,464**	145,998

22 CASH AND CASH EQUIVALENTS *(Continued)*

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	**17,304**	144,364
HK$	**1,160**	1,634
	18,464	145,998

(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 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
Year ended 31 December 2022				
As at 1 January 2022	**600,000,000**	**6,000**	**4,895**	**184,478**
Dividends paid to owners of the Company *(Note 28)*	**–**	**–**	**–**	**(21,000)**
As at 31 December 2022	**600,000,000**	**6,000**	**4,895**	**163,478**

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 2022 and 2021. 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.

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 2022:

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/ Issued capital	Paid-up capital	Ownership interest held by the Group	Ownership interest held by non-controlling interests
Directly held:						
Mao Long Global Limited	the British Virgin Islands ("BVI"), limited liability	Investment holding in BVI	US$1	US$1	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	RMB10,000,000	60%	40% (ii)
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	RMB5,000,000	100%	–
Jin Yuan Group Management Limited	Hong Kong, limited liability	Investment holding in Hong Kong	HK$1	HK$1	100%	–
Maoming Jinyuan Company Limited (i)	PRC, limited liability	Investment holding in the PRC	RMB155,000,000	RMB155,000,000	100%	–
Tian Yuan Energy Investment Limited	Hong Kong, limited liability	Investment holding in Hong Kong	HK$1	HK$1	100%	–
Singapore Tian Resources Commerce and Trading Pte. Ltd	Singapore, limited liability	Sales of oil products and related ancillary services in Singapore	S$1,000,000	S$0	100%	

(i) Significant restrictions

As at 31 December 2022, cash and cash equivalents and restricted cash of RMB62,144,000 (31 December 2021: RMB144,212,000) 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)*

(ii) Non-controlling interests

Non-controlling interests as at 31 December 2022 and 2021 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	
	2022	2021
	RMB'000	RMB'000
Assets		
Non-current assets	**85,939**	87,978
Current assets	**51,280**	50,793
Total assets	**137,219**	138,771
Liabilities		
Current liabilities	**7,405**	9,414
Net assets	**129,814**	129,357

Summarised statement of comprehensive income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	**56,671**	57,653
Profit before income tax	**22,029**	24,993
Income tax expense	**(5,571)**	(6,325)
Profit and other comprehensive income for the year	**16,458**	18,668
Profit and other comprehensive income allocated to non- controlling interests	**6,583**	7,467
Dividends paid to non-controlling interests in subsidiaries	**6,400**	7,200

25 SUBSIDIARIES *(Continued)*

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

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

Summarised statement of cash flows

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net cash generated from operating activities	**18,409**	19,102
Net cash (used in)/generated from investing activities	**(21,607)**	18,137
Net cash used in financing activities	**(16,000)**	(18,000)
Net (decrease)/increase in cash and cash equivalents	**(19,198)**	19,239
Cash and cash equivalents at beginning of year	**30,259**	11,020
Cash and cash equivalents at end of year	**11,061**	30,259

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

26 TRADE, BILLS AND OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Bills payable *(Note (d))*	**80,000**	–
Trade payables *(Note (a))*		
– related parties *(Note 31(d))*	**357**	–
Accrual for staff costs and allowances	**5,960**	5,807
Other payables and accruals	**3,844**	4,252
Other tax payables	**2,223**	2,050
Total	**92,384**	12,109

26 TRADE, BILLS AND OTHER PAYABLES AND ACCRUALS *(Continued)*

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Less than 30 days	**357**	–

(b) Trade, bills and other payables and accruals were denominated in:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
– RMB	**92,080**	11,849
– HK$	**304**	260
	92,384	12,109

(c) As at 31 December 2022 and 2021, the fair values of trade, bills and other payables and accruals approximate their carrying amounts due to their short-term maturities.

(d) As at 31 December 2022, bills payable of RMB80,000,000 are secured by certain property, plant and equipment (Note 12), land use rights (Note 13), sea area use rights (Note 13) and cash in banks (Note 20) and guaranteed by related parties (Note 31(e)) of the Group.

27 BORROWINGS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Current:		
– Secured bank borrowings	–	5,700

(a) As at 31 December 2022, there were no bank borrowings. 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.

(b) As at 31 December 2022, there were no bank borrowings. As at 31 December 2021, The effective interest rates (per annum) was 6.50%.

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Less than 1 year	–	5,700

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

(d) As at 31 December 2022, there were no bank borrowings. As at 31 December 2021, the Group's bank borrowings were denominated in RMB.

28 DIVIDENDS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Final dividends for the year ended 31 December 2021 of RMB0.035 (2020: RMB0.034) per ordinary share	**21,000**	20,400
Total dividends provided for or paid	**21,000**	20,400

During the year ended 31 December 2022, dividends were paid in cash (2021: same).

A dividend in respect of the year ended 31 December 2022 of RMB0.040 per ordinary share, amounting to a total dividend of RMB24,000,000, is to be proposed at the annual general meeting to be held on 2 June 2023. These financial statements do not reflect this dividend payable.

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Proposed final dividend of RMB0.040 (2021: RMB0.035) per ordinary share	**24,000**	21,000

29 CASH FLOW INFORMATION

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit before income tax	**35,336**	33,643
Adjustments for:		
– Depreciation	**13,236**	12,914
– Amortisation of intangible assets	**37**	35
– Gains from disposal of property, plant and equipment	**(19)**	(2)
– Finance costs – net	**936**	3,296
– Share of results of a joint venture	**584**	2,499
Changes in working capital:		
– Trade and other receivables	**(16,538)**	19,361
– Restricted cash	**(45,700)**	–
– Prepayments and other assets	**31**	(64)
– Trade, bills and other payables and accruals	**80,385**	(895)
– Inventories	**(160,804)**	149,462
– Contract liabilities	**19,109**	(17,897)
Cash (used in)/generated from operations	**(73,407)**	202,352

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 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
As at 1 January 2022	**5,700**	**922**	**6,622**
Cash flows			
– Outflow from financing activities	**(5,700)**	**(421)**	**(6,121)**
Non-cash changes			
– Interest expenses	**–**	**54**	**54**
As at 31 December 2022	**–**	**555**	**555**

30 COMMITMENTS

(a) Capital commitments

As at 31 December 2022 and 2021, the Group had the following capital commitments on construction and acquisition of property, plant and equipment:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contracted but not provided for	**97**	–

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 Tian Yuan Petrochemical Limited ("Fortune Tianyuan Petrochemical")	A joint venture of the group
Guangdong Yuexiang Jinyuan Property Management Co., Ltd.("Yuexiang Jinyuan")	Controlled by Mr. Yang

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.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Rental expense	**330**	324

(ii) Tianyuan Petrochemical leased oil tanks for a subsidiary of the Group to store the oil products for sales.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Rental expense	**599**	341

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue from provision of uploading and unloading services		
– Tianyuan Petrochemical	**2,466**	5,056
– Maoming Tianyuan	**7,438**	4,582
	9,904	9,638

31 RELATED PARTY TRANSACTIONS *(Continued)*

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

(iv) The Company lent a shareholder loan amounting to HK$2,100,000 to Fortune Tian Yuan Petrochemical and charged interest based on floating interest rates.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest income	**32**	–

(v) Yuexiang Jinyuan provided terminal security service for two subsidiaries of the Group.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Terminal security service charge	**1,029**	–

(c) Key management compensations

Key management compensation for the years ended 31 December 2022 and 2021, other than those relating to the emoluments of directors being disclosed in Note 33(a), are set out below:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries, wages and bonuses	**1,228**	1,078
Contributions to pension plans	**23**	34
Welfare, medical and other expenses	**5**	5
	1,256	1,117

(d) Balances with related parties

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
(i) Trade receivables		
– Tianyuan Petrochemical	**388**	1,124
– Maoming Tianyuan	**773**	262
	1,161	1,386

31 RELATED PARTY TRANSACTIONS *(Continued)*

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
(ii) Amounts due from a related party		
– Fortune Tian Yuan Petrochemical	**1,783**	1,268

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
(iii) Trade payables		
– Tianyuan Petrochemical	**316**	–
– Yuexiang Jinyuan	**41**	–
	357	–

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
(iv) Lease liabilities due to Mr. Yang	**312**	603

(e) Guarantee

	As at 31 December	
	2022	2021
	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.

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Assets		
Non-current asset		
Interest in a subsidiary	**187,108**	187,108
Investment in a joint venture	**10,381**	10,965
	197,489	198,073
Current assets		
Amounts due from a related party	**1,783**	1,268
Prepayments	**135**	124
Term deposits	**–**	801
Cash and cash equivalents	**2,866**	2,529
	4,784	4,722
Total assets	**202,273**	202,795
EQUITY		
Equity attributable to owners of the Company		
Share capital (a)	**4,895**	4,895
Share premium (a)	**163,478**	184,478
Other reserve (a)	**32,108**	32,108
Accumulated losses (a)	**(63,381)**	(58,180)
Total equity	**137,100**	163,301
Current liabilities		
Other payables and accruals	**900**	2,207
Amounts due to subsidiaries	**64,273**	37,287
	65,173	39,494
Total liabilities	**65,173**	39,494
Total equity and liabilities	**202,273**	202,795

The balance sheet of the Company was approved by the Board on 31 March 2023 and was signed on its behalf.

Yang Jinming
Director

Su Baihan
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 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
As at 1 January 2022	**4,895**	**184,478**	**32,108**	**(58,180)**	**163,301**
Loss for the year	**–**	**–**	**–**	**(5,201)**	**(5,201)**
Dividends to owners of the Company *(Note 28)*	**–**	**(21,000)**	**–**	**–**	**(21,000)**
As at 31 December 2022	**4,895**	**163,478**	**32,108**	**(63,381)**	**137,100**

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 2022:

	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)	–	732	16	–	748
Ms. Tong Wai Man (ii)	–	538	16	–	554
Mr. Su Baihan (ii)	–	130	–	–	130
Non-executive director					
Mr. Yang Fan	–	124	–	–	124
Independent non-executive directors					
Mr. Pang Hon chung (iii)	124	–	–	–	124
Ms. Wu Jinwen (iii)	104	–	–	–	104
Mr. Huang Yaohui (iii)	124	–	–	–	124
	352	1,524	32	–	1,908

33 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

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

(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 (2021: nil).

(v) During the year, none of the directors of the Company waived their emoluments nor has agreed to waive their emoluments (2021: 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 (2021: nil).

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2021: 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 (2021: 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 (2021: same).

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

As at 31 December 2022, 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.

34 SUBSEQUENT EVENT

On 20 March 2023, Fortune Oil PRC and the Company entered into a capital contribution deed ("Capital Contribution Deed"), pursuant to which Fortune Oil PRC and the Company agreed to contribute the outstanding principal and interest as at 31 December 2022 under certain shareholder loans and other loan lent to Fortune Tian Yuan Petrochemical, as consideration for the new 245,112,770 subscription shares ("Subscription Shares") to be allotted and issued by Fortune Tian Yuan Petrochemical of which the 242,482,329 shares will be owned by Fortune Oil PRC and remaining 2,630,441 shares will be owned by the Company.

Upon completion of the Share Subscription and Capital Contribution Deed, Fortune Tian Yuan Petrochemical will be owned as to approximately 93.63% by Fortune Oil PRC and approximately 6.37% by the Company. Therefore, the Company's interest in the Fortune Tian Yuan Petrochemical will be diluted from 30% to approximately 6.37% after completion of the Share Subscription and Capital Contribution Deed.

FIVE YEAR FINANCIAL SUMMARY

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**317,901**	295,099	173,523	124,724	82,393
Profit attributable to owners of the Company	**17,481**	12,718	20,808	14,452	5,849
Total assets	**470,902**	383,515	448,305	418,452	396,839
Total liabilities	**120,707**	29,984	87,359	61,767	24,961
Total equity	**350,195**	353,531	360,946	356,685	371,878
Non-controlling interests	**51,926**	51,743	51,476	48,823	70,668