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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6119)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2018 increased by approximately 1.0% or approximately RMB0.8 million to approximately RMB82.4 million compared to approximately RMB81.6 million for the year ended 31 December 2017.

- Gross profit for the year ended 31 December 2018 decreased by approximately 5.5% or approximately RMB2.8 million to approximately RMB48.1 million compared to approximately RMB50.9 million for the year ended 31 December 2017.

- Profit attributable to the owners of the Company for the year ended 31 December 2018 was approximately RMB5.8 million (approximately RMB19.2 million for the year ended 31 December 2017).

- Profit attributable to the owners of the Company excluding one-off listing expenses for the year ended 31 December 2018 decreased by approximately 29.6% or approximately RMB7.8 million to approximately RMB18.4 million compared to approximately RMB26.2 million for the year ended 31 December 2017.

- A dividend in respect of the year ended 31 December 2018 of RMB0.013 per ordinary share, amounting to a total dividend of RMB7,800,000, is to be proposed at the forthcoming annual general meeting to be held on 23 May 2019.

The board (the "**Board**") of directors (the "**Directors**") of Tian Yuan Group Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	**Year ended 31 December** **2018** ***RMB'000***	2017 *RMB'000*
Revenue	*3*	**82,393**	81,599
Cost of sales		**(34,264)**	(30,669)
Gross profit		**48,129**	50,930
Other income	*4*	**1,061**	4,055
Other gains — net	*5*	**1,319**	71
Selling and administrative expenses		**(27,545)**	(16,295)
Operating profit		**22,964**	38,761
Finance income	*6*	**631**	–
Profit before income tax		**23,595**	38,761
Income tax expense	*7*	**(10,534)**	(12,353)
Profit for the year		**13,061**	26,408
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**13,061**	26,408
Profit and total comprehensive income attributable to:			
Owners of the Company		**5,849**	19,244
Non-controlling interests		**7,212**	7,164
		13,061	26,408
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	*8*	**0.0109**	0.0428

CONSOLIDATED BALANCE SHEETS

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

CONSOLIDATED BALANCE SHEETS *(CONTINUED)*

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**308**	308
		308	308
Current liabilities			
Other payables and accruals	*10*	**17,263**	15,824
Advances from customers		**–**	1,930
Contract liabilities		**1,854**	–
Current income tax liabilities		**5,536**	7,190
		24,653	24,944
Total liabilities		**24,961**	25,252
Total equity and liabilities		**396,839**	302,296

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 General Information

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

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

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

2 Summary of Significant Accounting Policies

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

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

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

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

2 Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of preparation *(Continued)*

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

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

(iv) New standards and interpretations not yet adopted

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

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

2 Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of preparation *(Continued)*

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

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

HKFRS 16 Leases

Nature of change

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

The accounting for lessors will not significantly change.

Impact

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

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

Date of adoption by the Group

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

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the consolidated financial statements of the Group.

(i) Impact on financial statements

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

2 Summary of Significant Accounting Policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(i) Impact on financial statements (Continued)

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

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

(ii) HKFRS 9 Financial Instruments — Impact of adoption

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

Classification and measurement

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

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

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

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

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

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

Impairment

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

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

2 Summary of Significant Accounting Policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

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

Impairment (Continued)

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

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

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

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

3 Segment Information

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

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

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

3 Segment Information *(Continued)*

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

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

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

Rental income are recognized proportionately over the lease term.

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

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

4 Other Income

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

5 Other Gains — Net

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

6 Finance Income

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

7 Income Tax Expense

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

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

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

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

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Current tax on profits for the year	**10,513**	12,353
Deferred income tax:		
Decrease in deferred tax assets	**21**	–
	10,534	12,353

8 Earnings Per Share

(a) Basic

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

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

(b) Diluted

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

9 Trade and Other Receivables and Amounts Due from Related Parties

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

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

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

9 Trade and Other Receivables and Amounts Due from Related Parties *(Continued)*

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

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

10 Other Payables and Accruals

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

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

11 Dividends

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Our principal services include:

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

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

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

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

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

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

Financial Review

Revenue

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

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

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

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

Other Income and Other Gains — Net

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

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

Finance Income

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

Selling and Administrative Expenses

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

Income Tax Expense

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

Profit Attributable to Owners of the Company

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

Liquidity and Financial Resources

Net Current Assets

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

Borrowings and Gearing Ratio

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

Treasury Policy

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

Capital Structure

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

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

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

Pledge of Assets and Contingent Liabilities

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

Foreign Exchange Risk

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

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

Human Resources and Remuneration

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

Use of Net Proceeds from the Listing

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

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

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

Future Plans for Material Investments or Capital Assets

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

Capital Commitments

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

Outlook and Prospects

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

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

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

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

Corporate Governance

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

Further, code provision C.2.5 which 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 "**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.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company since the Listing Date and up to 31 December 2018.

Subsequent Event

From 31 December 2018 to the date of this announcement, there are no important events affecting the Group.

Final Dividend

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

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

Annual General Meeting

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

Closure of Register of Members

In relation to the AGM

For the purpose of determining the list of shareholders who are entitled to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 20 May 2019 to Thursday, 23 May 2019, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the 2019 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 May 2019.

In relation to the proposed final dividend

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") 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 since the Listing Date and up to 31 December 2018.

Audit Committee and Review of Annual Results

The Company has an Audit Committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and provision C3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Mr. Pang Hon Chung (as chairman), Professor Wu Jinwen and Mr. Huang Yaohui. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2018 and is of the view that the preparation of the consolidated financial statements has complied with applicable accounting standards and requirements. The Audit Committee has discussed the internal control and financial reporting process with the management of the Group, the internal control consultants and external auditors.

Scope of Work of Auditor

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

Publication of Annual Results and Annual Report

This annual results announcement is published on the Company's website at *www.tianyuangroupholdings.com* and the Stock Exchange's website at *www.hkexnews.hk*. The 2018 Annual Report will be despatched to the shareholders of the Company in due course and will be available on the above websites.

Appreciation

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as the shareholders of the Company and business partners for their continuous support to the Group throughout the Reporting Year.

By order of the Board
Tian Yuan Group Holdings Limited
Yang Jinming
Chairman

Hong Kong, 23 March 2019

As at the date of this announcement, the executive Directors are Mr Yang Jinming, Ms Tong Wai Man and Mr Su Baihan, the non-executive Director is Mr Yang Fan, and the independent non-executive Directors are Mr Pang Hon Chung, Professor Wu Jinwen and Mr Huang Yaohui.