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 2019

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2019 increased by approximately 51.4% or approximately RMB42.3 million to approximately RMB124.7 million compared to approximately RMB82.4 million for the year ended 31 December 2018.
- Gross profit for the year ended 31 December 2019 increased by approximately 1.8% or approximately RMB0.9 million to approximately RMB49.0 million compared to approximately RMB48.1 million for the year ended 31 December 2018.
- Profit attributable to the owners of the Company for the year ended 31 December 2019 was approximately RMB14.5 million (approximately RMB5.8 million for the year ended 31 December 2018).
- Profit attributable to the owners of the Company excluding one-off listing expenses for the year ended 31 December 2019 decreased by approximately 21.5% or approximately RMB3.9 million to approximately RMB14.5 million compared to approximately RMB18.4 million for the year ended 31 December 2018.
- A dividend in respect of the year ended 31 December 2019 of RMB0.032 per ordinary share, amounting to a total dividend of RMB19,200,000, is to be proposed at the forthcoming annual general meeting to be held on 5 June 2020.

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 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**124,724**	82,393
Cost of sales		**(75,748)**	(34,264)
Gross profit		**48,976**	48,129
Other income		—	1,061
Other gains — net	*4*	**263**	1,319
Selling and administrative expenses		**(16,374)**	(27,545)
Operating profit		**32,865**	22,964
Finance income		**103**	631
Finance costs		**(1,635)**	—
Finance (costs)/income — net	*5*	**(1,532)**	631
Profit before income tax		**31,333**	23,595
Income tax expense	*6*	**(9,826)**	(10,534)
Profit for the year		**21,507**	13,061
Other comprehensive income for the year		—	—
Total comprehensive income for the year		**21,507**	13,061
Profit and total comprehensive income attributable to:			
Owners of the Company		**14,452**	5,849
Non-controlling interests		**7,055**	7,212
		21,507	13,061
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	*7*	**0.0241**	0.0109

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**157,843**	148,842
Right-of-use assets		**52,505**	—
Prepaid operating leases		**—**	44,118
Intangible assets		**205**	9,667
Prepayments		**2,415**	105
Deferred income tax assets		**4**	—
		212,972	202,732
Current assets			
Trade and other receivables	*8*	**25,727**	14,154
Amounts due from a related party	*8*	**283**	149
Inventories		**52,385**	—
Prepayments and other assets		**698**	1,276
Term deposits		**2,864**	1,773
Cash and cash equivalents		**123,523**	176,755
		205,480	194,107
Total assets		**418,452**	396,839

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**4,895**	4,895
Share premium		**224,078**	231,878
Other reserves		**(21,305)**	(21,088)
Retained earnings		**100,194**	85,525
		307,862	301,210
Non-controlling interests		**48,823**	70,668
Total equity		**356,685**	371,878
LIABILITIES			
Non-current liabilities			
Lease liabilities		**395**	—
Deferred income tax liabilities		**294**	308
		689	308
Current liabilities			
Trade and other payables and accruals	*9*	**26,104**	17,263
Borrowings		**20,000**	—
Contract liabilities		**8,448**	1,854
Current income tax liabilities		**6,046**	5,536
Lease liabilities		**473**	—
Deferred income tax liabilities		**7**	—
		61,078	24,653
Total liabilities		**61,767**	24,961
Total equity and liabilities		**418,452**	396,839

NOTES

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 27 July 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company is an investment holding company and its subsidiaries are principally engaged in provision of bulk and general cargo uploading and unloading services, supply and sales of oil products and related ancillary value-added port services in The People's Republic of China ("**China**" or the "**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**").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2019:

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

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

(iv) New standards and interpretations not yet adopted

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

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

2.2 Changes in accounting policies

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

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

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

(i) Practical expedients applied

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

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019;

- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

(ii) Measurement of lease liabilities

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

(iii) Measurement of right-of-use assets

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

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

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

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

(v) Lessor accounting

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

3 SEGMENT INFORMATION AND REVENUE

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

The CODM identified two reportable segments as follows:

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

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

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

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

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

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

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

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

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

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

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

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

Rental income are recognized proportionately over the lease term.

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

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

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

4 OTHER GAINS — NET

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

5 FINANCE (COSTS)/INCOME — NET

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

6 INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the years ended 31 December 2019 and 2018.

The income tax provision of the Group in respect of its operations in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2019 and 2018.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "**CIT Law**"), which was effective from 1 January 2008. Under the CIT Law and the Implementation Rules of the CIT Law, the standard tax rate of the PRC entities was 25% during the years ended 31 December 2019 and 2018.

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax	**9,837**	10,513
Deferred income tax	**(11)**	21
	9,826	10,534

7 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated on the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2019 and 2018.

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

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the years ended 31 December 2019 and 2018.

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

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

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

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

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

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

9 TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

(b) Trade and other payables were denominated in:

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

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

10 DIVIDENDS

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

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

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

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

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

11 SUBSEQUENT EVENT

Since the outbreak of Coronavirus Disease 2019 ("**COVID-19**") in or around early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, the Company has actively responded to and strictly implemented various regulations and requirements of the PRC government at all levels for virus epidemic prevention and controls. To ensure both epidemic prevention and production, the Company and its subsidiaries have resumed work since 10 February 2020, and deployed strict internal management measures to implement epidemic prevention work. As of the date of this announcement, no significant adverse impact has been found.

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 and sales of oil products. Both terminals are situated in the Shuidong port area of the Port of Maoming.

Our principal activities include:

(i) Bulk cargo uploading and unloading services. Our terminals are relatively adaptive and able to handle a variety of non-containerised cargo. For the year ended 31 December 2019 (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;

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

(iii) Supply and sales of oil products.

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

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

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

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

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

Financial Review

Revenue

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

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

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

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

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

Cost of sales

Our cost of sales increased by approximately 121.1% from approximately RMB34.3 million for the year ended 31 December 2018 to approximately RMB75.7 million for the year ended 31 December 2019. This was primarily attributable to the cost of goods sold of approximately RMB36.0 million recorded for the sales of oil products during the

Reporting Year. The increase was also driven by an increase in employee benefit expenses due to an increase in headcount and salaries and an increase in depreciation of property, plant and equipment mainly resulted from additional depreciation of the new phase of Zhengyuan Terminal as well as an increase in production safety expenses arising from the non-recurring compensations paid for removal of fishing boats and factory near the Group's terminals.

Gross Profit and Gross Profit Margin

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

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

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

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

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

Other Income and Other Gains — Net

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

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

Finance Costs/Income — Net

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

Selling and Administrative Expenses

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

Income Tax Expense

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

Profit Attributable to Owners of the Company

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

Liquidity and Financial Resources

Net Current Assets

The Group recorded net current assets of approximately RMB144.4 million as at 31 December 2019, while the net current assets as at 31 December 2018 was approximately RMB169.5 million.

Borrowings and Gearing Ratio

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

Treasury Policy

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

Capital Structure

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

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

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

Pledge of Assets and Contingent Liabilities

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

Foreign Exchange Risk

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

The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the Reporting Year (during the year ended 31 December 2018: Same).

Human Resources and Remuneration

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

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

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

Use of Net Proceeds from the Listing

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

During the Reporting Year, the use of proceeds was in line with that disclosed in the Prospectus. Uses of net proceeds as at 31 December 2019 as follows:

	Planned use of proceeds *RMB'000*	Approximately percentage of net proceeds *%*	Actual use of proceeds from the Listing Date to 31 December 2019 *RMB'000*
The construction of the new phase of Zhengyuan Terminal and the purchase of additional equipment in connection with such expansion	**36,644**	**90%**	**32,366**
Working capital and other general corporate purposes	**4,072**	**10%**	**4,072**
Total	**40,716**	**100%**	**36,438**

Future Plans for Material Investments or Capital Assets

Save for the business plan disclosed in the Prospectus or in this announcement, there is no other plan for material investments or capital assets as at 31 December 2019.

Capital Commitments

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

OUTLOOK AND PROSPECTS

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

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

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

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

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

Further, code provision C.2.5 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 throughout the year ended 31 December 2019.

Subsequent Event

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

Final Dividend

The Board of the Company has proposed a final dividend of RMB0.032 per ordinary share for the year ended 31 December 2019, amounted to RMB19,200,000 based on 600,000,000 shares in issue as at 31 December 2019.

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

Annual General Meeting

The annual general meeting (the "**AGM**") of the Company is scheduled to be held on 5 June 2020 (the "**2020 AGM**"). A notice convening the 2020 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 2020 AGM, the register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the 2020 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2020.

In relation to the proposed final dividend

Subject to approval by the shareholders of the Company in the 2020 AGM, for the purpose of determining the list of shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed from Thursday, 11 June 2020 to Monday, 15 June 2020, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 10 June 2020.

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 throughout the Reporting Year.

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 code provision C.3.3 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 2019 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 2019 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 2019 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, 26 March 2020

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.