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## **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 2022**

### **FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 December 2022 increased by approximately 7.7% or approximately RMB22.8 million to approximately RMB317.9 million compared to approximately RMB295.1 million for the year ended 31 December 2021.
- Gross profit for the year ended 31 December 2022 decreased by approximately 2.8% or approximately RMB1.5 million to approximately RMB54.1 million compared to approximately RMB55.7 million for the year ended 31 December 2021.
- Profit attributable to the owners of the Company for the year ended 31 December 2022 increased by approximately 37.5% or approximately RMB4.8 million to approximately RMB17.5 million compared to approximately RMB12.7 million for the year ended 31 December 2021.
- A dividend in respect of the year ended 31 December 2022 of RMB0.04 per ordinary share, amounting to a total dividend of RMB24,000,000, is to be proposed at the forthcoming annual general meeting to be held on 2 June 2023.

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 2022 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2022	2021
		RMB'000	RMB'000
<b>Revenue</b>	3	<b>317,901</b>	295,099
Cost of sales		<u>(263,785)</u>	<u>(239,439)</u>
<b>Gross profit</b>		<b>54,116</b>	55,660
Other (losses)/gains – net	4	<b>(553)</b>	715
Selling and administrative expenses		<u>(16,707)</u>	<u>(16,937)</u>
<b>Operating profit</b>		<b>36,856</b>	39,438
Finance costs – net	5	<b>(936)</b>	(3,296)
Finance income		<b>254</b>	42
Finance costs		<b>(1,190)</b>	(3,338)
Share of results of a joint venture		<u>(584)</u>	<u>(2,499)</u>
<b>Profit before income tax</b>		<b>35,336</b>	33,643
Income tax expense	6	<u>(11,272)</u>	<u>(13,458)</u>
<b>Profit for the year</b>		<b>24,064</b>	20,185
Other comprehensive income for the year		<u>–</u>	<u>–</u>
Total comprehensive income for the year		<u><b>24,064</b></u>	<u>20,185</u>
<b>Profit and other comprehensive income attributable to:</b>			
Owners of the Company		<b>17,481</b>	12,718
Non-controlling interests		<u><b>6,583</b></u>	<u>7,467</u>
		<u><b>24,064</b></u>	<u>20,185</u>
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>			
Basic and diluted	7	<u><b>0.0291</b></u>	<u>0.0212</u>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>As at 31 December</b>	
		<b>2022</b>	<b>2021</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>154,318</b>	157,897
Right-of-use assets		<b>46,713</b>	48,955
Intangible assets		<b>149</b>	167
Investment in a joint venture		<b>10,381</b>	10,965
Prepayments		<b>37</b>	1,410
Deferred income tax assets		<b>–</b>	8
		<b><u>211,598</u></b>	<u>219,402</u>
<b>Current assets</b>			
Trade and other receivables	8	<b>30,651</b>	14,113
Amounts due from a related party	8	<b>1,783</b>	1,268
Inventories		<b>160,804</b>	–
Prepayments and other assets		<b>772</b>	803
Restricted cash		<b>46,830</b>	1,130
Term deposits		<b>–</b>	801
Cash and cash equivalents		<b>18,464</b>	145,998
		<b><u>259,304</u></b>	<u>164,113</u>
<b>Total assets</b>		<b><u><u>470,902</u></u></b>	<b><u><u>383,515</u></u></b>

		<b>As at 31 December</b>	
		<b>2022</b>	2021
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		4,895	4,895
Share premium		163,478	184,478
Other reserves		(12,803)	(20,005)
Retained earnings		<u>142,699</u>	<u>132,420</u>
		<b>298,269</b>	301,788
<b>Non-controlling interests</b>		<u><b>51,926</b></u>	<u>51,743</u>
<b>Total equity</b>		<u><b>350,195</b></u>	<u>353,531</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		161	555
Deferred income tax liabilities		<u>1,463</u>	<u>2,581</u>
		<u><b>1,624</b></u>	<u>3,136</u>
<b>Current liabilities</b>			
Trade, bills and other payables and accruals	9	92,384	12,109
Borrowings		–	5,700
Contract liabilities		20,502	1,393
Current income tax liabilities		5,803	7,279
Lease liabilities		<u>394</u>	<u>367</u>
		<u><b>119,083</b></u>	<u>26,848</u>
<b>Total liabilities</b>		<u><b>120,707</b></u>	<u>29,984</u>
<b>Total equity and liabilities</b>		<u><b>470,902</b></u>	<u>383,515</u>

## 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 Windward 3, Regatta Office Park, 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 cargo uploading and unloading services, supply and sales of oil products and related ancillary value-added port services in The People's Republic of China ("PRC"). The ultimate holding company of the Company is Sino Ford Enterprises Limited, which was incorporated in the British Virgin Islands. The ultimate controlling shareholder of the Group is Mr. Yang Jinming.

The Company has its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Renminbi ("RMB") unless otherwise stated. These financial statements have been approved for issue by the Board on 31 March 2023.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of preparation

*(i) Compliance with HKFRSs and the disclosure requirements of HKCO*

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

*(ii) Historical cost convention*

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

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

The Group has applied the following amendments or annual improvements for the first time for their annual reporting year commencing 1 January 2022:

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

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
HKFRS 17	Insurance Contract (new standard and amendments)	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single Transaction	January 1, 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

### 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 2022 and as at 31 December 2022 is listed as follows:

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

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

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

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

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

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

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

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

	Year ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from sales of goods	229,749	205,217
Revenue from provision of uploading and unloading services	85,928	85,097
Rental income	1,441	1,441
Service income	<u>783</u>	<u>3,344</u>
	<u><u>317,901</u></u>	<u><u>295,099</u></u>
Revenue recognised under HKFRS 15 – over time	87,369	86,538
Revenue recognised under HKFRS 15 – at a point in time	<u>230,532</u>	<u>208,561</u>
	<u><u>317,901</u></u>	<u><u>295,099</u></u>

Rental income are recognised proportionately over the lease term.

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

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A:	119,007	163,783
Customer B:	111,525	44,778

#### 4 OTHER (LOSSES)/GAINS – NET

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

#### 5 FINANCE COSTS – NET

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

## 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 2022 (2021: same).

The income tax provision of the Group in respect of its operations in mainland China has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the years ended 31 December 2022 and 2021 pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law") and the Implementation Rules of the CIT Law effective from 1 January 2008.

According to the CIT Law and the Implementation Rules, starting from 1 January 2008, a withholding tax of 10% is levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the relevant authorities of Mainland China and Hong Kong. The applicable withholding income tax rate of the intermediate holding company of the Company's mainland China subsidiaries for the year ended 31 December 2022 was 5% (2021: 10%).

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

## 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 2022 and 2021.

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

### (b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the years ended 31 December 2022 and 2021.

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

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

- (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:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Less than 30 days	<b>7,696</b>	8,781
31 to 60 days	<b>896</b>	480
61 to 90 days	<b>196</b>	194
91 to 365 days	<b>–</b>	204
	<b><u>8,788</u></b>	<u>9,659</u>

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

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
– RMB	<b>30,651</b>	14,113
– HK\$	<b><u>1,783</u></b>	<u>1,268</u>
	<b><u>32,434</u></b>	<u>15,381</u>

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

## 9 TRADE, BILLS AND OTHER PAYABLES AND ACCRUALS

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

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Less than 30 days	<u>357</u>	<u>–</u>

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
– RMB	92,080	11,849
– HK\$	<u>304</u>	<u>260</u>
	<u>92,384</u>	<u>12,109</u>

- (c) As at 31 December 2022 and 2021, the fair values of trade, bills and other payables and accruals approximate their carrying amounts due to their short-term maturities.
- (d) As at 31 December 2022, bills payable of RMB80,000,000 are secured by certain property, plant and equipment, land use rights, sea area use rights and cash in banks and guaranteed by related parties of the Group.

## 10 DIVIDENDS

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group's principal activities include:

- (i) Bulk cargo uploading and unloading services. Our terminals are relatively adaptive and able to handle a variety of non-containerised cargo. For the year ended 31 December 2022 (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.

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

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

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

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

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

## Supply and sales of oil products

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

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

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2022, the revenue was approximately RMB317.9 million, representing an increase of approximately 7.7% compared to approximately RMB295.1 million for the year ended 31 December 2021. The increase in revenue was attributable to an increase in revenue generated from sales of oil products for the Reporting Year.

	Year ended 31 December		Changes	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	<i>RMB'000</i>	%
Revenue from provision of uploading and unloading services	<b>85,928</b>	85,097	831	1.0
Revenue from sales of oil products	<b>229,749</b>	205,217	24,532	12.0
Rental income	<b>1,441</b>	1,441	–	–
Service income	<b>783</b>	3,344	(2,561)	(76.6)
	<b><u>317,901</u></b>	<b><u>295,099</u></b>	<b><u>22,802</u></b>	<b><u>7.7</u></b>

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

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

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

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

### **Cost of sales**

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

### **Gross Profit and Gross Profit Margin**

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

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

The overall gross profit margin decreased from approximately 18.9% for the year ended 31 December 2021 to approximately 17.0% for the year ended 31 December 2022.

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

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

### **Other Losses/Gains – Net**

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

## **Finance Costs – Net**

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

## **Selling and Administrative Expenses**

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

## **Share of Results of a Joint Venture**

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

## **Income Tax Expense**

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

## **Profit Attributable to Owners of the Company**

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

## **Liquidity and Financial Resources**

### ***Net Current Assets***

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

### ***Borrowings and Gearing Ratio***

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

### ***Treasury Policy***

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

### ***Capital Structure***

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

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

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

### **Pledge of Assets and Contingent Liabilities**

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

## **Foreign Exchange Risk**

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

The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the Reporting Year (during the year ended 31 December 2021: Same).

## **Human Resources and Remuneration**

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

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

As disclosed in the Company's interim report for the period ended 30 June 2022, Maoming Tianyuan Terminal Operation Company Limited\* (茂名市天源碼頭經營有限公司) (“**Tianyuan**”) is still in the process of applying for the state-owned land use right certificate for a parcel of land with a site area of 2,589.3 sq.m. where Tianyuan has constructed office buildings, an internal warehouse and an entrance guard house thereon. Tianyuan was informed by the relevant authority that the application is still pending for approval and the process takes more time as there is insufficient record of this parcel of land being kept by the authority, and the processing timeline is still uncertain. Despite of the above, it does not have any impact on our business operation as the Company is not using it for its terminal business and the said parcel of land had made no attributable revenue to the Company during the Track Record Period (as defined in the prospectus of the Company dated 18 May 2018) up to the date of this announcement. The Company will make announcement(s) on further progress in connection with the above, as and when appropriate.

## **Future Plans for Material Investments or Capital Assets**

Save for the business plan disclosed in this announcement, there is no other plan for material investments or capital assets as at 31 December 2022.

## **Capital Commitments**

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

## **OUTLOOK AND PROSPECTS**

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

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

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

## **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 Provisions C.2.1 and D.2.5.

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

Further, Code Provision D.2.5 requires that 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 annually 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 2022.

## **Subsequent Event**

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

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

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

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

## **Final Dividend**

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

The proposed final dividend will be paid to shareholders whose names appear on the register of members of the Company on 9 June 2023, if the proposal is approved by the shareholders of the Company at the forthcoming annual general meeting. It is expected that the final dividend will be paid on or about 26 June 2023.

## **Annual General Meeting**

The annual general meeting (the “**AGM**”) of the Company is scheduled to be held on 2 June 2023 (the “**2023 AGM**”). A notice convening the 2023 AGM will be published on the HKEXnews website and the Company’s website and despatched to the shareholders 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 2023 AGM, the register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the 2023 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 29 May 2023.

### ***In relation to the proposed final dividend***

Subject to approval by the shareholders of the Company in the 2023 AGM, for the purpose of determining the list of shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed from Thursday, 8 June 2023 to Friday, 9 June 2023, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 7 June 2023.

## **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 D.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 2022 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 2022 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.tianyuan groupholdings.com](http://www.tianyuan groupholdings.com) and the HKEXnews website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2022 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, 31 March 2023

*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.*