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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 increased by approximately 96.5% or approximately RMB97.6 million to approximately RMB198.8 million compared to approximately RMB101.2 million for the corresponding period in 2020.
- Gross profit for the six months ended 30 June 2021 decreased by approximately 2.6% or approximately RMB0.8 million to approximately RMB29.0 million compared to approximately RMB29.8 million for the corresponding period in 2020.
- Profit attributable to owners of the Company for the six months ended 30 June 2021 decreased by approximately 15.9% or approximately RMB1.8 million to approximately RMB9.6 million compared to approximately RMB11.4 million for the corresponding period in 2020.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Tian Yuan Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (together referred to as the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2020 (the “**Corresponding Period**”).

Unless otherwise stated, the financial information of the Company in this announcement was stated in Renminbi (“**RMB**”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(All amounts expressed in RMB unless otherwise stated)

		Six months ended 30 June	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	4	198,759	101,162
Cost of sales		<u>(169,777)</u>	<u>(71,398)</u>
Gross profit		28,982	29,764
Other gains — net	5	612	193
Selling and administrative expenses		<u>(7,386)</u>	<u>(6,559)</u>
Operating Profit		<u>22,208</u>	<u>23,398</u>
Finance costs — net		(1,762)	(1,158)
Finance income		6	35
Finance costs		(1,768)	(1,193)
Share of results of a joint venture		<u>(990)</u>	<u>—</u>
Profit before income tax		19,456	22,240
Income tax expense	6	<u>(5,931)</u>	<u>(6,346)</u>
Profit for the period		<u>13,525</u>	<u>15,894</u>
Other comprehensive income for the period		—	—
Total comprehensive income for the period		<u>13,525</u>	<u>15,894</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		9,551	11,355
Non-controlling interests		<u>3,974</u>	<u>4,539</u>
		<u>13,525</u>	<u>15,894</u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	7	<u>0.016</u>	<u>0.019</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

(All amounts expressed in RMB unless otherwise stated)

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		156,210	156,106
Right-of-use assets		50,134	50,162
Intangible assets		183	202
Investment in a joint venture		12,474	13,464
Prepayments		1,987	2,486
Deferred income tax assets		6	6
		<u>220,994</u>	<u>222,426</u>
Current assets			
Trade and other receivables	9	39,609	32,312
Amounts due from related parties	9	1,100	1,162
Inventories		164,138	149,462
Prepayments and other assets		317	739
Restricted cash		1,130	1,130
Term deposits		4,912	2,273
Cash and cash equivalents		24,972	38,801
		<u>236,178</u>	<u>225,879</u>
Total assets		<u><u>457,172</u></u>	<u><u>448,305</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,895	4,895
Share premium		184,478	204,878
Other reserves		(20,473)	(20,934)
Retained earnings		129,721	120,631
		<u>298,621</u>	<u>309,470</u>
Non-controlling interests		<u>55,450</u>	<u>51,476</u>
Total equity		<u><u>354,071</u></u>	<u><u>360,946</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		As at 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		742	322
Deferred income tax liabilities		281	281
		<u>1,023</u>	<u>603</u>
Current liabilities			
Amounts due to a related party	<i>10</i>	—	225
Trade and other payables and accruals	<i>10</i>	8,030	13,964
Borrowings		45,700	45,700
Contract liabilities		42,067	19,290
Current income tax liabilities		5,917	7,494
Lease liabilities		354	73
Deferred income tax liabilities		10	10
		<u>102,078</u>	<u>86,756</u>
Total liabilities		<u>103,101</u>	<u>87,359</u>
Total equity and liabilities		<u><u>457,172</u></u>	<u><u>448,305</u></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 and general cargo uploading and unloading services, supply and sales of oil products and related ancillary value-added port services in The People's Republic of China (“PRC”). The ultimate controlling shareholder of the Group is Mr. Yang Jinming.

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

This interim condensed consolidated financial information (the “**Interim Financial Information**”) is presented in RMB, unless otherwise stated. The Interim Financial Information was approved for issue by the Board of Directors on 27 August 2021 and has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This Interim Financial Information should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, and public announcements made by the Group during the interim reporting period.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

3 ACCOUNTING POLICIES (continued)

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the financial period beginning on 1 January 2021:

Amendments to HKFRS 16	COVID-19-related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The adoption of these standards and the new accounting policies disclosed did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost to Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Update reference to the Conceptual Framework	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contract	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HK Int 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the Group's consolidated financial statements is expected when they become effective.

4 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 six months ended 30 June 2021 and as at 30 June 2021 is listed as follows:

	Six months ended 30 June 2021		
	Cargo handling and ancillary services RMB’000 (Unaudited)	Sales of oil products RMB’000 (Unaudited)	Total RMB’000 (Unaudited)
Total segment revenue	42,812	155,947	198,759
— Revenue from external customers	42,812	155,947	198,759
Segment results — gross profit	22,838	6,144	28,982
Other gains — net			612
Administrative and selling expenses			(7,386)
Finance costs — net			(1,762)
Share of results of a joint venture			(990)
			19,456
Profit before income tax			19,456
Income tax expenses			(5,931)
			13,525
Profit for the period			13,525
Other information:			
— Depreciation and amortisation	6,184	155	6,339

4 SEGMENT INFORMATION AND REVENUE (Continued)

The segment information for the six months ended 30 June 2021 and as at 30 June 2021 is listed as follows: (Continued)

	As at 30 June 2021		
	Cargo handling and ancillary services <i>RMB'000</i> (Unaudited)	Sales of oil products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment assets	275,199	168,769	443,968
Unallocated assets:			
— Head office			724
— Investment in a joint venture			12,474
— Deferred income tax assets			6
Total assets			<u>457,172</u>
Segment liabilities	11,510	39,683	51,193
Unallocated liabilities:			
— Current income tax liabilities			5,917
— Deferred income tax liabilities			291
— Borrowings			45,700
Total liabilities			<u>103,101</u>

The segment information for the six months ended 30 June 2020 and as at 31 December 2020 is listed as follows:

	Six months ended 30 June 2020		
	Cargo handling and ancillary services <i>RMB'000</i> (Unaudited)	Sales of oil products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Total segment revenue	46,886	54,276	101,162
— Revenue from external customers	46,886	54,276	101,162
Segment results — gross profit	27,873	1,891	29,764
Other gains — net			193
Administrative and selling expenses			(6,559)
Finance costs — net			(1,158)
Profit before income tax			22,240
Income tax expenses			(6,346)
Profit for the period			<u>15,894</u>
Other information:			
— Depreciation and amortisation	6,042	155	6,197

4 SEGMENT INFORMATION AND REVENUE (Continued)

The segment information for the six months ended 30 June 2020 and as at 31 December 2020 is listed as follows: (Continued)

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

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

	Six months ended 30 June	
	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Unaudited)</i>
Revenue from provision of uploading and unloading services	42,091	45,641
Revenue from sales of goods	155,947	54,276
Rental income	721	1,245
	<u>198,759</u>	<u>101,162</u>
Revenue recognised under HKFRS 15 — over time	42,812	46,886
Revenue recognised under HKFRS 15 — at a point in time	155,947	54,276
	<u>198,759</u>	<u>101,162</u>

Rental income are recognised proportionately over the lease term.

4 SEGMENT INFORMATION AND REVENUE (Continued)

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Customer A:	<u>155,947</u>	<u>54,276</u>

5 OTHER GAINS — NET

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net foreign exchange gain	273	59
Others	<u>339</u>	<u>134</u>
	<u>612</u>	<u>193</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 group entities did not have assessable profits in Hong Kong during the six months ended 30 June 2021 and 2020.

The income tax provision of the Group in respect of its operations in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2021 and 2020.

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 six months ended 30 June 2021 and 2020.

6 INCOME TAX EXPENSE (Continued)

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.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
PRC corporate income tax	5,931	6,346
Deferred income tax:		
PRC corporate income tax	—	—
	<u>5,931</u>	<u>6,346</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 period.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	9,551	11,355
Weighted average number of ordinary shares in issue (thousands shares)	<u>600,000</u>	<u>600,000</u>
Basic earnings per share (expressed in RMB)	<u>0.016</u>	<u>0.019</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 six months ended 30 June 2021 and 2020.

8 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

9 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM RELATED PARTIES

	As at 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
Trade receivables	12,699	9,150
Less: allowance for impairment of trade receivables	—	—
	<u>12,699</u>	<u>9,150</u>
Trade receivables — net	<u>12,699</u>	<u>9,150</u>
VAT recoverable	21,211	21,282
Note receivables — third parties	5,342	1,404
Other receivables — third parties	357	476
	<u>39,609</u>	<u>32,312</u>
Amounts due from related parties	<u>1,100</u>	<u>1,162</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:

	As at 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
Less than 30 days	9,678	6,817
31 to 60 days	2,871	595
61 to 90 days	150	450
90 to 180 days	—	1,288
	<u>12,699</u>	<u>9,150</u>

- (b) The Group's trade and other receivables and amounts due from related parties at respective balance sheet dates are denominated in RMB.
- (c) As at 30 June 2021 and 31 December 2020, the fair values of trade and other receivables and amounts due from related parties approximate their carrying amounts due to their short-term maturities.

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Accrual for staff costs and allowances	3,171	5,852
Other payables and accruals	3,025	6,214
Other tax payables	<u>1,834</u>	<u>1,898</u>
Total	<u><u>8,030</u></u>	<u><u>13,964</u></u>
Amounts due to a related party	<u><u>—</u></u>	<u><u>225</u></u>

- (a) The Group's trade and other payables and accruals and amounts due to a related party at respective balance sheet dates are denominated in RMB and HK\$.
- (b) As at 30 June 2021 and 31 December 2020, the fair values of trade and other payables and accruals and amounts due to a related party approximate their carrying amounts due to their short-term maturities.

11 EVENTS AFTER THE BALANCE SHEET DATE

From 30 June 2021 to the date of this announcement, there is no important event affecting the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Our principal activities include:

- (i) Bulk cargo uploading and unloading services. Our terminals are relatively adaptive and able to handle a variety of non-containerised cargo. During the Reporting Period, we mainly handled bulk cargo such as coal, quartz sand, oil products, grains, asphalt and kaolinite as well as a small portion of break bulk cargo and neo-bulk cargo;
- (ii) Related ancillary value-added port services, which mainly include storage services at our oil tanks and grain barns as well as lease of our shovel trucks; and
- (iii) Supply and sales of oil products.

During the six months ended 30 June 2021, the Group achieved a total cargo throughput of approximately 2,031 thousand tonnes, representing a decrease of approximately 217 thousand tonnes or approximately 9.7% from approximately 2,248 thousand tonnes for the Corresponding Period. The decrease was mainly due to lower throughputs of coal, grains and oil products recorded for the six months ended 30 June 2021 compared to the Corresponding Period. Those lower throughputs were mainly due to a decrease in demand.

The average selling price of the cargo handling fees of the Group recorded for the six months ended 30 June 2021 was slightly higher compared to the Corresponding Period.

During the Reporting Period, the Group has continuously enhanced its services quality and strengthened the relationship with its key customers as well as further widened its customer base.

The revenue generated from the sales of oil products increased as demand increased and contributed to approximately 78.5% of the total revenue of the Group for the Reporting Period.

Due to the ongoing COVID-19 pandemic, the Group has adopted highly strict preventive and protective measures to minimize its impact on our operations. It is on our priorities to maintain high standards of our operations in respect of the production safety, environment protection and good hygiene environment.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the revenue was approximately RMB198.8 million, representing an increase of approximately 96.5% compared to the Corresponding Period. The increase in revenue was mainly attributable to an increase in revenue of approximately RMB101.7 million generated from sales of oil products for the Reporting Period, which was mainly attributable to an increase in demand.

	Six months ended		Changes	%
	30 June			
	2021	2020		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue from provision of uploading and unloading services	42,091	45,641	(3,550)	(7.8)
Revenue from sales of oil products	155,947	54,276	101,671	187.3
Rental income	721	1,245	(524)	(42.1)
Total	<u>198,759</u>	<u>101,162</u>	<u>97,597</u>	96.5

For the six months ended 30 June 2021, our revenue from uploading and unloading services decreased by approximately 7.8% compared to the Corresponding Period to approximately RMB42.1 million. The decrease was mainly due to a decrease in total throughput as demand for certain major cargos types dropped.

The decrease in the revenue from uploading and unloading services was mainly attributable to a decrease in revenue generated from handling coal, grains and oil products, which was partially offset by an increase in the revenue generated from handling kaolinite and quartz sand. The major types of cargos handled by the Group during the Reporting Period were by and large the same as those for the Corresponding Period.

Driven by an increase in demand, our revenue from sales of oil products for the six months ended 30 June 2021 increased by approximately 187.3% compared to the Corresponding Period to approximately RMB155.9 million.

For the six months ended 30 June 2021, our rental income decreased by approximately 42.1% compared to the Corresponding Period. The decrease was mainly due to certain customers did not renew their rental agreements during the Reporting Period.

Cost of Sales

Our cost of sales increased by approximately 137.8% from approximately RMB71.4 million for the six months ended 30 June 2020 to approximately RMB169.8 million for the six months ended 30 June 2021. This was primarily attributable to the cost of goods sold of approximately RMB149.8 million recorded for the sales of oil products during the Reporting Period (for the six months ended 30 June 2020: approximately RMB52.4 million). The increase was also due to an increase in employee benefit expenses.

Gross Profit and Gross Profit Margin

The Group's overall gross profit decreased by approximately 2.6% from approximately RMB29.8 million for the six months ended 30 June 2020 to approximately RMB29.0 million for the six months ended 30 June 2021.

The decrease in gross profit was mainly due to a decrease in gross profit of the cargo handling and ancillary services segment as its revenue decreased as mentioned above.

The overall gross profit margin decreased from approximately 29.4% for the six months ended 30 June 2020 to approximately 14.6% for the six months ended 30 June 2021.

The gross profit margin of the cargo handling and ancillary services segment was approximately 53.3% for the six months ended 30 June 2021 compared to approximately 59.4% for the Corresponding Period. The decrease was primarily attributable to a decrease in revenue.

The gross profit margin of the sales of oil products segment was approximately 3.9% for the six months ended 30 June 2021 compared to approximately 3.5% for the Corresponding Period.

Other Gains — Net

For the six months ended 30 June 2021, other gains — net of approximately RMB612,000 (for the six months ended 30 June 2020: approximately RMB193,000) consisted mainly of net foreign exchange gain and others.

Selling and Administrative Expenses

Selling and administrative expenses increased from approximately RMB6.6 million for the six months ended 30 June 2020 to approximately RMB7.4 million for the six months ended 30 June 2021. The increase was mainly due to an increase in employee benefit expenses and other expenses.

Finance Costs — Net

For the six months ended 30 June 2021, the Group's net finance costs of approximately RMB1.8 million consisted mainly of interest expenses for bank borrowings and lease liabilities (for the six months ended 30 June 2020: approximately RMB1.2 million).

Share of Results of a Joint Venture

The Group recorded a share of loss of a joint venture of approximately RMB990,000 for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

Income Tax Expense

The Group's income tax expense decreased by approximately 6.5% from approximately RMB6.3 million for the six months ended 30 June 2020 to approximately RMB5.9 million for the six months ended 30 June 2021. The decrease was primarily attributable to a lower taxable profit recorded for the Reporting Period compared to that for the Corresponding Period.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2021, the Group's profit attributable to owners of the Company was approximately RMB9.6 million (for the six months ended 30 June 2020: approximately RMB11.4 million).

The decrease in the profit attributable to owners of the Company was mainly due to a decrease in gross profit margin of the cargo handling and ancillary services segment as mentioned above and a share of loss of a joint venture recorded for Reporting Period.

Liquidity and Financial Resources

Net Current Assets

The Group recorded net current assets of approximately RMB134.1 million as at 30 June 2021, while the net current assets as at 31 December 2020 was approximately RMB139.1 million.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings were approximately RMB45.7 million as at 30 June 2021 (as at 31 December 2020: approximately RMB45.7 million). The interest-bearing borrowings are expected to facilitate the development of the Group's trade businesses and the investment in the joint venture, which is expected to engage in the businesses of international energy trading, petrochemical trading and the investment in warehousing facilities located in Zhanjiang, the PRC. The Group's interest-bearing borrowings were mainly denominated in RMB. The Group's interest-bearing borrowings

of approximately RMB45.7 million were repayable within 1 year. The gearing ratio (defined as total debt divided by total equity) was approximately 13.2% as at 30 June 2021 (as at 31 December 2020: approximately 12.8%).

Treasury Policy

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the business 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 disclosed in the annual report for the year ended 31 December 2020, there were no significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Same).

Pledge of Assets and Contingent Liabilities

As at 30 June 2021, the Group had certain pledged assets including certain land use rights, sea area use rights and property, plant and equipment with the aggregated carrying amount of approximately RMB42.3 million as collateral for certain banking facilities of the Group granted by a PRC bank (as at 31 December 2020: approximately RMB43.6 million).

Foreign Exchange Risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Group, and the major receivables and payables were denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, 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 Period (Corresponding Period: Same).

Human Resources and Remuneration

As at 30 June 2021, the Group employed 238 employees (as at 30 June 2020: 227 employees) with total staff costs of approximately RMB11.7 million incurred for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately RMB10.1 million). The increase was mainly due to an increase in number of headcounts and an increase in social security contributions made in the Reporting Period compared to that for the Corresponding Period as no contributions exemption granted in 2021. The Group's remuneration packages are generally structured with reference to market terms and individual merits.

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

As disclosed in the annual report for the year ended 31 December 2020, 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) 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.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

Future Plans for Material Investments or Capital Assets

Save for the business plan disclosed in this announcement, there was no other plan for material investments or capital assets as at 30 June 2021.

Capital Commitments

As at 30 June 2021, the Group had capital commitments for acquisition of property, plant and equipment amounting to approximately RMB712,000 (as at 31 December 2020: approximately RMB3.5 million).

Outlook and Prospects

The sales of oil products is expected to remain the major growth momentum of revenue of the Group, we will adhere to the core strategies and the principle of sustainable development, and grasp the new market trends and development.

The Group will continue to improve its operational efficiency and strive to increase its cargo sources and diversify the cargo varieties aiming to achieve a growth in cargo throughput. We will continue to maintain and promote our high standards in production safety, environmental protection, service quality control, good hygienic environment and risk management measures. We may explore to further expand our capacity on the cargo uploading and unloading services.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Board recognises 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**”) since 1 January 2021 and up to 30 June 2021, except for:

1. 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.
2. 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 proposes to engage an external consultant to perform an internal review on the scope determined by the audit committee (the “**Audit Committee**”) in the second half of the year. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and close supervision by the management can maintain sufficient risk management and internal control of the Group. However, 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 six months ended 30 June 2021.

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 for the six months ended 30 June 2021.

Important Events after the Reporting Period

There is no important event subsequent to 30 June 2021 and up to the date of this announcement.

Audit Committee and Review of Interim Results

The Company has an Audit Committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and provision C3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Mr. Pang Hon Chung (as chairman), Professor Wu Jinwen and Mr. Huang Yaohui. The Audit Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2021 and is of the view that the preparation of the unaudited interim results has complied with applicable accounting standards and requirements.

The Audit Committee has reviewed unaudited interim results for the six months ended 30 June 2021 with the Company's management and this announcement. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

Publication of Interim Results and Interim Report

This interim results announcement is published on the Company's website at www.tianyuangroupholdings.com and the Stock Exchange's website at www.hkexnews.hk. The 2021 Interim 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, business partners and other professional parties for their continuous support to the Group throughout the Reporting Period.

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

Hong Kong, 27 August 2021

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.