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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 2023

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2023 increased by approximately 62.6% or approximately RMB82.8 million to approximately RMB215.1 million compared to approximately RMB132.2 million for the corresponding period in 2022.
- Gross profit for the six months ended 30 June 2023 decreased by approximately 23.4% or approximately RMB7.5 million to approximately RMB24.5 million compared to approximately RMB32.0 million for the corresponding period in 2022.
- Profit attributable to owners of the Company for the six months ended 30 June 2023 decreased by approximately 21.3% or approximately RMB2.3 million to approximately RMB8.3 million compared to approximately RMB10.6 million for the corresponding period in 2022.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: 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 2023 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2022 (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 2023

(All amounts expressed in RMB unless otherwise stated)

	Notes	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	215,062	132,244
Cost of sales		<u>(190,555)</u>	<u>(100,269)</u>
Gross profit		24,507	31,975
Other losses – net	5	(1,117)	(569)
Selling and administrative expenses		<u>(6,359)</u>	<u>(7,480)</u>
Operating Profit		17,031	23,926
Finance income/(costs) – net	6	53	(219)
Finance income		70	4
Finance costs		(17)	(223)
Share of results of a joint venture		<u>293</u>	<u>(745)</u>
Profit before income tax		17,377	22,962
Income tax expense	7	<u>(5,648)</u>	<u>(7,479)</u>
Profit for the period		11,729	15,483
Other comprehensive income for the period		–	–
Total comprehensive income for the period		11,729	15,483
Profit and total comprehensive income attributable to:			
Owners of the Company		8,334	10,590
Non-controlling interests		<u>3,395</u>	<u>4,893</u>
		11,729	15,483
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	8	<u>0.014</u>	<u>0.018</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2023

(All amounts expressed in RMB unless otherwise stated)

		As at 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
Assets			
Non-current assets			
Property, plant and equipment		149,987	154,318
Right-of-use assets		45,648	46,713
Intangible assets		131	149
Investment in a joint venture		–	10,381
Financial assets at fair value through other comprehensive income (“FVOCI”)		12,543	–
Prepayments		13	37
		<u>208,322</u>	<u>211,598</u>
Current assets			
Trade and other receivables	10	29,068	30,651
Amounts due from a related party	10	–	1,783
Inventories		151,945	160,804
Prepayments and other assets		352	772
Restricted cash		46,830	46,830
Term deposits		2,769	–
Cash and cash equivalents		17,262	18,464
		<u>248,226</u>	<u>259,304</u>
Total assets		<u><u>456,548</u></u>	<u><u>470,902</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,895	4,895
Share premium		139,478	163,478
Other reserves		(11,294)	(12,803)
Retained earnings		149,524	142,699
		<u>282,603</u>	298,269
Non-controlling interests		<u>55,321</u>	51,926
Total equity		<u><u>337,924</u></u>	<u>350,195</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)*As at 30 June 2023**(All amounts expressed in RMB unless otherwise stated)*

		As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		117	161
Deferred income tax liabilities		<u>253</u>	<u>1,463</u>
		<u>370</u>	<u>1,624</u>
Current liabilities			
Trade, bills and other payables and accruals	<i>11</i>	99,560	92,384
Contract liabilities		13,940	20,502
Current income tax liabilities		4,509	5,803
Lease liabilities		<u>245</u>	<u>394</u>
		<u>118,254</u>	<u>119,083</u>
Total liabilities		<u>118,624</u>	<u>120,707</u>
Total equity and liabilities		<u><u>456,548</u></u>	<u><u>470,902</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 on 30 August 2023 and has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2023 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 2022, 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 2022, as described in those annual financial statements.

(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 2023:

HKFRS 17	Insurance Contract
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

3 ACCOUNTING POLICIES (Continued)

(b) New standards and interpretations not yet adopted

New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in sale and leaseback	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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.

4 SEGMENT INFORMATION AND REVENUE (Continued)

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from provision of uploading and unloading services	34,235	49,597
Revenue from sales of goods	179,831	81,926
Rental income	754	721
Service income	242	–
	<u>215,062</u>	<u>132,244</u>
Revenue recognised under HKFRS 15–over time	34,989	50,318
Revenue recognised under HKFRS 15–at a point in time	180,073	81,926
	<u>215,062</u>	<u>132,244</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:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A:	93,018	50,451
Customer B:	87,055	31,475

5 OTHER LOSSES – NET

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net foreign exchange loss	(1,152)	(988)
Others	<u>35</u>	<u>419</u>
	<u>(1,117)</u>	<u>(569)</u>

6 FINANCE INCOME/(COSTS) – NET

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance costs		
– Interest expenses for bank borrowings	–	(193)
– Interest expenses for lease liabilities	<u>(17)</u>	<u>(30)</u>
	<u>(17)</u>	<u>(223)</u>
Finance income		
– Interest income on bank deposits	<u>70</u>	<u>4</u>
Finance income/(costs) – net	<u>53</u>	<u>(219)</u>

7 INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax was provided as the group entities did not have assessable profits in Hong Kong during the six months ended 30 June 2023 and 2022.

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 2023 and 2022.

7 INCOME TAX EXPENSE (Continued)

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 2023 and 2022.

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
PRC corporate income tax	5,648	7,479
Deferred income tax:		
PRC corporate income tax	—	—
	<u>5,648</u>	<u>7,479</u>

8 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated on the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	8,334	10,590
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>0.014</u>	<u>0.018</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 2023 and 2022.

9 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

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

	As at 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
Trade receivables		
– third parties	7,829	7,627
– related parties	901	1,161
Less: allowance for impairment of trade receivables	–	–
	<u>8,730</u>	<u>8,788</u>
Trade receivables – net		
	<u>8,730</u>	<u>8,788</u>
Notes receivables – third parties	500	900
Other receivables – third parties	248	282
VAT recoverable	19,590	20,681
	<u>29,068</u>	<u>30,651</u>
Amounts due from a related party	<u>–</u>	<u>1,783</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 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
Less than 30 days	6,408	7,696
31 to 60 days	2,322	896
61 to 90 days	–	196
91 to 365 days	–	–
	<u>8,730</u>	<u>8,788</u>

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

- (b) The Group's trade and other receivables and amounts due from a related party at respective balance sheet dates are denominated in RMB and HK\$.
- (c) As at 30 June 2023 and 31 December 2022, 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.

11 TRADE, BILLS AND OTHER PAYABLES AND ACCRUALS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Bills payable	91,400	80,000
Trade payables		
– related parties	128	357
Accrual for staff costs and allowances	3,175	5,960
Other payables and accruals	2,406	3,844
Other tax payables	2,451	2,223
	<hr/>	<hr/>
Total	99,560	92,384

- (a) The Group's trade, bills and other payables and accruals at respective balance sheet dates are denominated in RMB and HK\$.
- (b) As at 30 June 2023 and 31 December 2022, the fair values of trade, bills and other payables and accruals approximate their carrying amounts due to their short-term maturities.

12 EVENTS AFTER THE BALANCE SHEET DATE

From 30 June 2023 to the date of this announcement, there is no important event affecting the Group.

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 six months ended 30 June 2023, 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 six months ended 30 June 2023, the Group achieved a total cargo throughput of approximately 1,575 thousand tonnes, representing a decrease of approximately 786 thousand tonnes or approximately 33.3% from approximately 2,361 thousand tonnes for the six months ended 30 June 2022. The decrease in the total cargo throughput was mainly due to a decrease in overall demand.

The average selling price of the cargo handling fees of the Group recorded for the six months ended 30 June 2023 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 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 the Corresponding Period.

Supply and sales of oil products

During the six months ended 30 June 2023, the Group recorded a higher revenue from sales of oil products of approximately RMB179.8 million, representing an increase of approximately 119.5% from approximately RMB81.9 million for the Corresponding Period which was boosted by an increase in demand.

The Group is building up a sales and marketing team and will strengthen it along with the expansion plan, the Group expects to commence international import trading business in the second half of 2023. By supplying oil products to Maoming Tianyuan Trade Development Company Limited 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 its trading business, the Group is expanding and enhancing its sales and marketing team which is expected to facilitate developing relationships and obtaining more orders from new customers.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the revenue was approximately RMB215.1 million, representing an increase of approximately 62.6% compared to the Corresponding Period. The increase in revenue was attributable to an increase in revenue generated from sales of oil products for the Reporting Period.

	Six months ended		Changes	
	30 June			
	2023	2022		
	RMB'000	RMB'000	RMB'000	%
Revenue from provision of uploading and unloading services	34,235	49,597	(15,362)	(31.0)
Revenue from sales of oil products	179,831	81,926	97,905	119.5
Rental income	754	721	33	4.6
Service income	242	–	242	n/a
Total	<u>215,062</u>	<u>132,244</u>	<u>82,818</u>	62.6

For the six months ended 30 June 2023, our revenue from uploading and unloading services decreased by approximately 31.0% compared to the Corresponding Period to approximately RMB34.2 million. The decrease was mainly due to a decrease in the total cargo throughput as the overall demand decreased.

The decrease in the revenue from uploading and unloading services was mainly attributable to a decrease in revenue generated from handling oil products, asphalt, coal and grains. 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.

Due to an increase in demand, our revenue from sales of oil products for the six months ended 30 June 2023 increased by approximately 119.5% compared to the Corresponding Period to approximately RMB179.8 million. The increase in demand was mainly due to the reopening of China and stabilization of oil products prices during the first half of 2023.

The rental income recorded for the Reporting Period is comparable to the Corresponding Period.

Cost of Sales

Our cost of sales increased by approximately 90.0% from approximately RMB100.3 million for the six months ended 30 June 2022 to approximately RMB190.6 million for the six months ended 30 June 2023. This was primarily attributable to the cost of goods sold of approximately RMB172.2 million recorded for the sales of oil products during the Reporting Period (for the six months ended 30 June 2022: approximately RMB77.7 million).

Gross Profit and Gross Profit Margin

The Group's overall gross profit decreased by approximately 23.4% from approximately RMB32.0 million for the six months ended 30 June 2022 to approximately RMB24.5 million for the six months ended 30 June 2023.

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 24.2% for the six months ended 30 June 2022 to approximately 11.4% for the six months ended 30 June 2023.

The gross profit margin of the cargo handling and ancillary services segment was approximately 47.9% for the six months ended 30 June 2023 compared to approximately 55.1% for the Corresponding Period. The decrease was due to a decrease in revenue.

The gross profit margin of the sales of oil products segment was approximately 4.3% for the six months ended 30 June 2023 compared to approximately 5.2% for the Corresponding Period. The decrease was mainly due to a decrease in selling price.

Other Losses – Net

For the six months ended 30 June 2023, other losses – net of approximately RMB1.1 million (for the six months ended 30 June 2022: approximately RMB569,000) consisted mainly of net foreign exchange loss.

Selling and Administrative Expenses

Selling and administrative expenses decreased from approximately RMB7.5 million for the six months ended 30 June 2022 to approximately RMB6.4 million for the six months ended 30 June 2023. The decrease was mainly due to a decrease in employee benefit expenses and other expenses.

Finance Income/(Costs) – Net

For the six months ended 30 June 2023, the Group's net finance income of approximately RMB53,000 consisted mainly of bank interest income (for the six months ended 30 June 2022: finance costs-net approximately RMB219,000).

Share of Results of a Joint Venture

The Group recorded a share of gain of a joint venture of approximately RMB293,000 for the six months ended 30 June 2023 (a share of loss of a joint venture for the six months ended 30 June 2022: approximately RMB745,000).

Income Tax Expense

The Group's income tax expense decreased by approximately 24.5% from approximately RMB7.5 million for the six months ended 30 June 2022 to approximately RMB5.6 million for the six months ended 30 June 2023. 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 2023, the Group's profit attributable to owners of the Company was approximately RMB8.3 million (for the six months ended 30 June 2022: approximately RMB10.6 million).

The decrease in the profit attributable to owners of the Company was mainly due to a decrease in gross profit margin as mentioned above.

Liquidity and Financial Resources

Net Current Assets

The Group recorded net current assets of approximately RMB130.0 million as at 30 June 2023, while the net current assets as at 31 December 2022 was approximately RMB140.2 million.

Borrowings and Gearing Ratio

The Group has no interest-bearing borrowings as at 30 June 2023 (as at 31 December 2022: Nil). The gearing ratio was approximately 0.1% as at 30 June 2023 (as at 31 December 2022: approximately 0.2%), 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 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 2022, 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 2023 (for the six months ended 30 June 2022: Same).

Pledge of Assets and Contingent Liabilities

As at 30 June 2023, 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 RMB37.6 million (as at 31 December 2022: approximately RMB39.0 million), and cash in banks amounting to RMB46.8 million (as at 31 December 2022: approximately RMB46.8 million) as collateral for certain banking facilities of the Group granted by a PRC bank.

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 Period (Corresponding Period: Same).

Human Resources and Remuneration

As at 30 June 2023, the Group employed 224 employees (as at 30 June 2022: 239 employees) with total staff costs of approximately RMB12.0 million incurred for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately RMB13.4 million). The decrease was mainly due to a decrease in number of headcount and employee subsidies in the Reporting Period compared to that for the Corresponding Period. 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 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) 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 of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: 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 2023.

Capital Commitments

As at 30 June 2023, the Group had no capital commitments (as at 31 December 2022: approximately RMB97,000).

Outlook and Prospects

The Group will continue to consolidate and integrate the core businesses to enhance its operational capabilities and efficiency. For the cargo handling and ancillary services, the Group will broaden its 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.

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 2023 and up to 30 June 2023, except for:

1. Code provision C.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 the Board members and the 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 D.2.5 which requires the issuer should have an internal audit function. The Company has not established 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 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 for the six months ended 30 June 2023.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There is no important event subsequent to 30 June 2023 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 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 unaudited interim results of the Company for the six months ended 30 June 2023 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 2023 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.tianyuan groupholdings.com and the Stock Exchange's website at www.hkexnews.hk. The 2023 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, 30 August 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.