



天源集團控股有限公司

TIAN YUAN GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6119



INTERIM REPORT 2020

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yang Jinming (*Chairman and Chief Executive Officer*)

Ms. Tong Wai Man

Mr. Su Baihan

Non-Executive Director

Mr. Yang Fan

Independent Non-Executive Directors

Mr. Pang Hon Chung

Professor Wu Jinwen

Mr. Huang Yaohui

REGISTERED OFFICE

P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

168 Renmin South Road
Maoming, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room C, 29/F.,
Tower B, Billion Centre
1 Wang Kwong Road
Kowloon Bay
Hong Kong

COMPANY'S WEBSITE

www.tianyuangroupholdings.com

(Note: the information contained in this website does not form part of this interim report)

COMPANY SECRETARY

Mr. Hung Chung Wah (*CPA, FCCA, FRM*)

AUTHORIZED REPRESENTATIVES

Mr. Yang Jinming

Mr. Hung Chung Wah

AUDIT COMMITTEE

Mr. Pang Hon Chung (*Chairman*)

Professor Wu Jinwen

Mr. Huang Yaohui

REMUNERATION COMMITTEE

Professor Wu Jinwen (*Chairman*)

Mr. Huang Yaohui

Ms. Tong Wai Man

NOMINATION COMMITTEE

Mr. Yang Jinming (*Chairman*)

Professor Wu Jinwen

Mr. Pang Hon Chung

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR

Ocorian Trust (Cayman) Limited
P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
(Maoming Mao Gang Branch)
China Guangfa Bank Co., Ltd.

LEGAL ADVISER AS TO HONG KONG LAWS

Loong & Yeung Solicitors
Room 1603, 16/F., China Building
29 Queen's Road Central
Central, Hong Kong

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants
and Registered PIE Auditor*
22/F, Prince's Building
Central
Hong Kong

STOCK CODE

6119

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Tian Yuan Group Holdings Limited (“the Company”) and its subsidiaries (together referred to as the “Group”) operate 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. For the six months ended 30 June 2020 (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 2020, the Group achieved a total cargo throughput of approximately 2,248 thousand tonnes, representing an increase of approximately 420 thousand tonnes or approximately 23.0% from approximately 1,828 thousand tonnes for the corresponding period in 2019. The increase was mainly due to higher throughputs of asphalt, oil products, quartz sand and others recorded for the six months ended 30 June 2020 compared to the corresponding period in 2019. Those higher throughputs were driven by an increase in demand.

The average selling price of the cargo handling fees of the Group recorded for the six months ended 30 June 2020 remained stable compared to the corresponding period in 2019.

During the six months ended 30 June 2020, the Group has continued to strengthen the relationship with its existing key customers and further widen its customer base.

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

During the Reporting Period, revenue generated from the sales of oil products has contributed to approximately 53.7% of the total revenue and represented an important revenue stream for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the revenue was approximately RMB101.2 million, representing an increase of approximately 156.0% compared to the corresponding period in 2019. The increase in revenue was mainly attributable to the revenue of approximately RMB54.3 million generated from sales of oil products for the Reporting Period and an increase in revenue from provision of uploading and unloading services.

	Six months ended 30 June		Changes	
	2020 RMB'000	2019 RMB'000	RMB'000	%
Revenue from provision of uploading and unloading services	45,641	37,229	8,412	22.6
Revenue from sales of oil products	54,276	—	54,276	N/A
Rental income	1,245	2,293	(1,048)	(45.7)
Total	101,162	39,522	61,640	156.0

For the six months ended 30 June 2020, our revenue from uploading and unloading services increased by approximately 22.6% compared to the corresponding period in 2019 to approximately RMB45.6 million. The increase was driven by an increase in total throughput.

The increase in the revenue from uploading and unloading services was mainly attributable to an increase in revenue generated from handling asphalt, oil products, quartz sand and others, which was partially offset by a decrease in the revenue generated from handling kaolinite, grains and coal. 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 in 2019. The revenue generated from the key customers were mainly depended on their demands for the relevant types of cargos.

For the six months ended 30 June 2020, our rental income decreased by approximately 45.7% compared to the corresponding period in 2019. The decrease was mainly due to the fact that some of the Group's oil tanks were used as a storage for inventories and not leased out since the second half of 2019.

Cost of sales

Our cost of sales increased by approximately 312.0% from approximately RMB17.3 million for the six months ended 30 June 2019 to approximately RMB71.4 million for the six months ended 30 June 2020. This was primarily attributable to the cost of goods sold of approximately RMB52.4 million recorded for the sales of oil products during the Reporting Period. The increase was also due to an increase in labour services fee and production safety expenses.

Gross Profit and Gross Profit Margin

The Group's overall gross profit increased by approximately 34.1% from approximately RMB22.2 million for the six months ended 30 June 2019 to approximately RMB29.8 million for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The increase in gross profit was mainly due to an increase in the Group's total revenue driven by (i) an increase in revenue from provision of uploading and unloading services as total throughput increased by approximately 23.0% and (ii) the revenue generated from the sales of oil products, which commenced around mid-2019.

However, the overall gross profit margin decreased from approximately 56.2% for the six months ended 30 June 2019 to approximately 29.4% for the six months ended 30 June 2020.

The gross profit margin of the cargo handling and ancillary services segment was approximately 59.4% for the six months ended 30 June 2020 compared to approximately 56.2% for the six months ended 30 June 2019. The increase was mainly due to an increase in revenue driven by higher total throughput as mentioned above.

The gross profit margin of the sales of oil products segment recorded for the six months ended 30 June 2020 was approximately 3.5%.

Other Gains/(Losses) — Net

For the six months ended 30 June 2020, other gains — net of approximately RMB193,000 (for the six months ended 30 June 2019: other losses — net of approximately RMB2.1 million) consisted mainly of net foreign exchange gain and others.

Selling and Administrative Expenses

Selling and administrative expenses of approximately RMB6.6 million were incurred for the six months ended 30 June 2020 compared to approximately RMB6.8 million for the six months ended 30 June 2019.

Finance Costs — Net

For the six months ended 30 June 2020, the Group's net finance costs of approximately RMB1.2 million consisted mainly of interest expenses for bank borrowings and lease liabilities (for the six months ended 30 June 2019: approximately RMB185,000).

Income Tax Expense

The Group's income tax expense increased by approximately 54.1% from approximately RMB4.1 million for the six months ended 30 June 2019 to approximately RMB6.3 million for the six months ended 30 June 2020. The increase was primarily attributable to a higher taxable profit recorded for the Reporting Period compared to that for the six months ended 30 June 2019.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2020, the Group's profit attributable to owners of the Company was approximately RMB11.4 million (for the six months ended 30 June 2019: approximately RMB6.0 million).

The increase in the profit attributable to owners of the Company for the six months ended 30 June 2020 was mainly due to an increase in gross profit resulted from an increase in revenue as mentioned above; and other gains — net was recorded for the Reporting Period compared to other losses — net recorded for the corresponding period in 2019 as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

Net Current Assets

The Group recorded net current assets of approximately RMB141.9 million as at 30 June 2020, while the net current assets as at 31 December 2019 was approximately RMB144.4 million.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings were approximately RMB40.0 million as at 30 June 2020 (as at 31 December 2019: approximately RMB20.0 million). The interest-bearing borrowings are expected to facilitate the further development of the Group's trade businesses and the investment to form a proposed joint venture, which is expected to engage in the businesses of international energy trading, petrochemical trading and the investment in warehousing facilities located in Zhanjiang, the PRC. The Group's interest-bearing borrowings were mainly denominated in Renminbi ("RMB"). The Group's interest-bearing borrowings of approximately RMB40.0 million were repayable within 1 year. The gearing ratio (defined as total debt divided by total equity) was approximately 11.5% as at 30 June 2020 (as at 31 December 2019: approximately 5.9%).

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 2019, 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 2020 (for the six months ended 30 June 2019: Same).

Pledge of Assets and Contingent Liabilities

As at 30 June 2020, 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 RMB124.3 million as collateral for certain banking facilities of the Group granted by a PRC bank (as at 31 December 2019: approximately RMB117.9 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 (during the six months ended 30 June 2019: Same).

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources and Remuneration

As at 30 June 2020, the Group employed 227 employees (as at 30 June 2019: 231 employees) with total staff costs of approximately RMB10.1 million incurred for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately RMB10.4 million). 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 2019, Tianyuan is still in the process of applying for the state-owned land use right certificate for such parcel of land. Tianyuan was informed by the relevant authority that the application is still pending for approval and the process takes more time as there is insufficient record of this parcel of land being kept by the authority, and the processing timeline is still uncertain. Despite of the above, it does not have any impact on our business operation as the Company is not using it for its terminal business and the said parcel of land had made no attributable revenue to the Company during the Track Record Period (as defined in the prospectus of the Company (the "Prospectus") dated 18 May 2018) up to the date of this interim report. The Company will make announcement(s) on further progress in connection with the above, as and when appropriate.

Interim Dividend

The board (the "Board") of directors (the "Directors") of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

Use of Net Proceeds from the Listing

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

During the Reporting Period, the use of proceeds was in line with that disclosed in the Prospectus. Uses of net proceeds as at 30 June 2020 were as follows:

	Planned use of proceeds RMB'000	Approximate percentage of net proceeds %	Actual use of proceeds from the Listing Date to 30 June 2020 RMB'000
The construction of the new phase of Zhengyuan Terminal and the purchase of additional equipment in connection with such expansion	36,644	90%	35,972
Working capital and other general corporate purposes	4,072	10%	4,072
Total	40,716	100%	40,044

MANAGEMENT DISCUSSION AND ANALYSIS

Future Plans for Material Investments or Capital Assets

Save for the business plan disclosed in the Prospectus or in this interim report, there was no other plan for material investments or capital assets as at 30 June 2020.

Capital Commitments

As at 30 June 2020, the Group had capital commitments for acquisition of property, plant and equipment amounting to approximately RMB13.4 million (as at 31 December 2019: approximately RMB16.9 million).

Outlook and Prospects

The outbreak of the COVID-19 is expected to remain a great challenge to the economy in the second half of 2020.

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. The Group will continue to maintain and promote its high standards in respect of production safety, environmental protection and good hygiene environment.

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

The Group may explore to further diversify its businesses to other areas to broaden its revenue streams and improve the return on equity.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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") since 1 January 2020 and up to 30 June 2020, 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 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, the interests and short positions of Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules are as follows:

Interests in the Company

Name	Nature of Interest	Number of ordinary shares held (long position)	Approximate percentage of interests in the Company
Mr. Yang Jinming	Interest in a controlled corporation (<i>Note 1</i>)	423,000,000	70.5%
Mr. Yang Fan	Interest in a controlled corporation (<i>Note 2</i>)	27,000,000	4.5%

Notes:

1. Mr. Yang Jinming beneficially owns 100% of the issued share capital of Sino Ford Enterprises Limited, which owns 423,000,000 shares of the Company. Therefore, Mr. Yang Jinming is deemed, or taken to be, interested in such shares held by Sino Ford Enterprises Limited for the purpose of the SFO. Mr. Yang Jinming is the sole director of Sino Ford Enterprises Limited.
2. Mr. Yang Fan beneficially owns 100% of the issued share capital of Fugang Holdings Limited, which owns 27,000,000 shares of the Company. Therefore, Mr. Yang Fan is deemed, or taken to be, interested in such shares held by Fugang Holdings Limited for the purpose of the SFO. Mr. Yang Fan is the sole director of Fugang Holdings Limited.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interests in associated corporations of the Company

Name	Name of associated corporation	Capacity	Number of ordinary shares held (long position)	Approximate percentage of interests
Mr. Yang Jinming	Sino Ford Enterprises Limited	Beneficial owner	1	100%

Save as disclosed above and so far as is known to the Directors, as at 30 June 2020, none of the Directors or chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as is known to the Directors, as at 30 June 2020, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or shorts positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of ordinary shares interested/held (long position)	Approximate percentage of interests
Sino Ford Enterprises Limited	Beneficial owner	423,000,000	70.5%
Ms. Zhang Dan	Interest of spouse (<i>Note</i>)	423,000,000	70.5%

Note: Ms. Zhang Dan is the spouse of Mr. Yang Jinming, who beneficially owns 100% of the issued share capital of Sino Ford Enterprises Limited, which in turn owns 423,000,000 shares of the Company. Therefore, Ms. Zhang Dan is deemed, or taken to be, interested in such shares held by Mr. Yang Jinming through his Sino Ford Enterprises Limited for the purpose of the SFO.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) on 10 May 2018. During the Reporting Period, no option has been granted or agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme. Accordingly, there was no outstanding option during the Reporting Period.

DIRECTORS’ AND CONTROLLING SHAREHOLDER’S INTERESTS IN COMPETING BUSINESS AND CONFLICTS OF INTERESTS

Save for disclosed in section “Controlling Shareholders’ Interest — Non-Competition Undertakings” of the annual report for the year ended 31 December 2019, during the Reporting Period, none of the Directors, the controlling shareholder or substantial shareholders of the Company nor any of their respective associates (as defined under the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, and none of them has any other conflicts of interests with the Group during the Reporting Period.

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 2020 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 2020 with the Company’s management and this interim report. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 2020.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There is no important event subsequent to 30 June 2020 and up to the date of this interim report.

On behalf of the Board

Yang Jinming

Chairman and Chief Executive Officer

Hong Kong, 27 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

(All amounts expressed in RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	6	101,162	39,522
Cost of sales	8	(71,398)	(17,330)
Gross profit		29,764	22,192
Other gains/(losses) — net	7	193	(2,106)
Selling and administrative expenses	8	(6,559)	(6,766)
Operating Profit		23,398	13,320
Finance income		35	73
Finance costs		(1,193)	(258)
Finance costs — net		(1,158)	(185)
Profit before income tax		22,240	13,135
Income tax expense	9	(6,346)	(4,119)
Profit for the period		15,894	9,016
Other comprehensive income for the period		—	—
Total comprehensive income for the period		15,894	9,016
Profit and total comprehensive income attributable to:			
Owners of the Company		11,355	6,031
Non-controlling interests		4,539	2,985
		15,894	9,016
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	10	0.019	0.010

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

(All amounts expressed in RMB unless otherwise stated)

	<i>Note</i>	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	13	157,881	157,843
Right-of-use assets	12	51,329	52,505
Intangible assets	14	214	205
Prepayments	17	2,688	2,415
Deferred income tax assets		4	4
		212,116	212,972
Current assets			
Trade and other receivables	15	15,609	25,727
Amounts due from related parties	15	1,591	283
Inventories	16	—	52,385
Prepayments and other assets	17	40,384	698
Term deposits		3,208	2,864
Cash and cash equivalents		140,017	123,523
		200,809	205,480
Total assets		412,925	418,452
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	4,895	4,895
Share premium	18	204,878	224,078
Other reserves		(21,116)	(21,305)
Retained earnings		111,360	100,194
		300,017	307,862
Non-controlling interests		53,362	48,823
Total equity		353,379	356,685

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

(All amounts expressed in RMB unless otherwise stated)

	<i>Note</i>	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	12	360	395
Deferred income tax liabilities		294	294
		654	689
Current liabilities			
Trade and other payables and accruals	19	9,799	26,104
Borrowings	20	40,000	20,000
Contract liabilities		2,877	8,448
Current income tax liabilities		5,933	6,046
Lease liabilities	12	276	473
Deferred income tax liabilities		7	7
		58,892	61,078
Total liabilities		59,546	61,767
Total equity and liabilities		412,925	418,452

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Other capital reserves	Capital surplus	Statutory surplus reserve	Production safety reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2020										
As at 1 January 2020	4,895	224,078	(64,894)	31,021	5,500	7,068	100,194	307,862	48,823	356,685
Profit and total comprehensive income for the period	—	—	—	—	—	—	11,355	11,355	4,539	15,894
Appropriation to production safety reserve	—	—	—	—	—	189	(189)	—	—	—
2019 Final Dividend	—	(19,200)	—	—	—	—	—	(19,200)	—	(19,200)
As at 30 June 2020	4,895	204,878	(64,894)	31,021	5,500	7,257	111,360	300,017	53,362	353,379
For the six months ended 30 June 2019										
As at 1 January 2019	4,895	231,878	(64,894)	31,021	5,500	7,285	85,525	301,210	70,668	371,878
Profit and total comprehensive income for the period	—	—	—	—	—	—	6,031	6,031	2,985	9,016
Appropriation to production safety reserve	—	—	—	—	—	436	(436)	—	—	—
2018 Final Dividend	—	(7,800)	—	—	—	—	—	(7,800)	—	(7,800)
Dividends paid to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	(22,500)	(22,500)
As at 30 June 2019	4,895	224,078	(64,894)	31,021	5,500	7,721	91,120	299,441	51,153	350,594

The notes on pages 19 to 38 are an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cash flow from operating activities		
Cash generated from operations	28,955	13,863
Interest received	35	73
Interest paid	(1,166)	(258)
Income tax paid	(6,459)	(5,706)
Net cash generated from operating activities	21,365	7,972
Cash flow from investing activities		
Purchases of property, plant and equipment	(5,044)	(16,022)
Purchases of intangible assets	(24)	(2)
Increase in term deposits	(344)	(994)
Net cash used in investing activities	(5,412)	(17,018)
Cash flows from financing activities		
Proceeds from borrowings	20,000	40,000
Dividends paid to owners of the Company	(19,200)	(7,800)
Dividends paid to non-controlling interests of a subsidiary	—	(22,500)
Principal elements and interest elements of lease payments	(259)	(256)
Net cash generated from financing activities	541	9,444
Net increase in cash and cash equivalents	16,494	398
Cash and cash equivalents at beginning of the period	123,523	176,755
Cash and cash equivalents at end of the period	140,017	177,153

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

1 GENERAL INFORMATION

Tian Yuan Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 27 July 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company is an investment holding company and its subsidiaries (together referred to as the “Group”) 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 (Mr. Yang or the “Controlling Shareholder”).

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

This interim condensed consolidated financial information (the “Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated. The Interim Financial Information was approved for issue by the Board of Directors on 27 August 2020 and has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2020 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 2019 (“2019 Financial Statements”), 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 2019, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

3 ACCOUNTING POLICIES *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020

(b) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Amendment to HKFRS 16	Leases — COVID-19 related rent concessions	1 June 2020
Amendments to HKAS 1	Presentation of financial statements' on classification of liabilities	1 January 2023
Amendments to HKFRS 3	Business combinations	1 January 2022
Amendments to HKAS 16	Property, plant and equipment	1 January 2022
Amendments to HKAS 37	Provisions, contingent liabilities and contingent assets	1 January 2022
Annual improvements to HKFRS 1	First-time Adoption of IFRS	1 January 2022
Annual improvements to HKFRS 9	Financial instruments	1 January 2022
HKFRS 17	Insurance contract	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	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 or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

4 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgments were made by management in applying the Group's accounting policies and the key sources of estimation. Uncertainty was the same as those that applied to the 2019 Financial Statements.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2019 Financial Statements.

There have been no changes in the risk management policies since year ended 31 December 2019.

5.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects continue to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

All of the Group's financial liabilities mature within 1 year from the end of the reporting period.

5.3 Fair value estimation

The carrying amounts of the Group's financial assets include cash and cash equivalents, trade and other receivables and amounts due from related parties and financial liabilities including other payables and accruals. Their carrying values approximated their fair values due to their short maturities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

6 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 2020 and as at 30 June 2020 is listed as follows:

	Six months ended 30 June 2020		
	Cargo handling and ancillary services RMB’000 (Unaudited)	Sales of oil products RMB’000 (Unaudited)	Total RMB’000 (Unaudited)
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			(1,158)
Profit before income tax			22,240
Income tax expenses			(6,346)
Profit for the period			15,894
Other information:			
— Depreciation and amortization	6,042	155	6,197

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

6 SEGMENT INFORMATION AND REVENUE (Continued)

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

	As at 30 June 2020		
	Cargo handling and ancillary services RMB'000 (Unaudited)	Sales of oil products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets	367,784	44,941	412,725
Unallocated assets:			
— Head office			196
— Deferred income tax assets			4
Total assets			412,925
Segment liabilities	13,312	—	13,312
Unallocated liabilities:			
— Current income tax liabilities			5,933
— Deferred income tax liabilities			301
— Borrowings			40,000
Total liabilities			59,546

The segment information for the six months ended 30 June 2019 and as at 31 December 2019 is listed as follows:

	Six months ended 30 June 2019		
	Cargo handling and ancillary services RMB'000 (Unaudited)	Sales of oil products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers	39,522	—	39,522
Segment results — gross profit	22,192	—	22,192
Other losses — net			(2,106)
Administrative and selling expenses			(6,766)
Finance costs			(185)
Profit before income tax			13,135
Income tax expenses			(4,119)
Profit for the period			9,016
Other information:			
— Depreciation and amortization	6,094	—	6,094

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

6 SEGMENT INFORMATION AND REVENUE (Continued)

The segment information for the six months ended 30 June 2019 and as at 31 December 2019 is listed as follows: (Continued)

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

- (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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from provision of uploading and unloading services	45,641	37,229
Revenue from sales of goods	54,276	—
Rental income	1,245	2,293
	101,162	39,522
Revenue recognized under IFRS 15 — over time	46,886	39,522
Revenue recognized under IFRS 15 — at a point in time	54,276	—
	101,162	39,522

Rental income are recognized proportionately over the lease term.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

6 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Customer A:	54,276	Not applicable*
Customer B:	Not applicable*	5,708
Customer C:	Not applicable*	4,083

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

7 OTHER GAINS/(LOSSES) — NET

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net foreign exchange gain/(loss)	59	(359)
Compensations paid for removal of fishing boats and factory nearby the Group's terminals	—	(1,810)
Others	134	63
	193	(2,106)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of goods sold	52,385	—
Employee benefit expenses	10,142	10,367
Depreciation of property, plant and equipment (Note 13)	5,006	4,886
Depreciation of right-of-use assets (Note 12)	1,176	1,170
Labour services fee	2,672	2,257
Repair and maintenance expenses	995	688
Fuel expenditures	843	752
Electricity and water	679	593
Business tax and other levies	630	639
Insurance costs	309	224
Transportation costs	259	286
Professional service expenses	768	766
Travelling expenses	259	370
Production safety expenses	916	190
Amortization of intangible assets (Note 14)	15	38
Office expenses	201	186
Other expenses	702	684
Total cost of sales, selling and administrative expenses	77,957	24,096

9 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 2020 and 2019.

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 2020 and 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

9 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 2020 and 2019.

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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current income tax:		
PRC corporate income tax	6,346	4,119
Deferred income tax:		
PRC corporate income tax	—	—
	6,346	4,119

10 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	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	11,355	6,031
Weighted average number of ordinary shares in issue (thousands shares)	600,000	600,000
Basic earnings per share (expressed in RMB)	0.019	0.010

(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 2020 and 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

11 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

12 LEASES

(a) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Right-of-use assets		
Office buildings	606	840
Sea area use rights	8,991	9,137
Land use rights	41,732	42,528
	51,329	52,505
Lease liabilities		
Current	276	473
Non-current	360	395
	636	868

As at 30 June 2020, sea area use rights with carrying amount of RMB6,650,000 were pledged as collaterals for the borrowings of the Group (As at 31 December 2019: RMB6,778,000).

As at 30 June 2020, certain land use rights with carrying amount of RMB25,113,000 was pledged as collaterals for the borrowings of the Group (As at 31 December 2019: RMB25,553,000).

As at 30 June 2020, the Group had no events that were not included in the lease liabilities, but would result in potential future cash outflows.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

12 LEASES (Continued)

(b) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
Office buildings	234	229
Sea area use rights	146	146
Land use rights	796	795
	1,176	1,170
Interest expense (included in finance cost)	27	41

(c) The group's leasing activities

The group leases various offices. Rental contracts are typically made for fixed periods of 3 and 10 years. The lease agreements do not impose any covenants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Terminal facilities	Loading equipment	Storage facilities	Office equipment	Transportation equipment	Leasehold improvements	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2020 (Unaudited)									
Opening net book amount	11,500	110,588	24,851	5,093	385	369	292	4,765	157,843
Additions	6	335	389	—	58	140	—	4,116	5,044
Transfers	130	161	92	—	—	—	—	(383)	—
Depreciation charge	(358)	(3,020)	(1,369)	(155)	(76)	(26)	(2)	—	(5,006)
Closing net book amount	11,278	108,064	23,963	4,938	367	483	290	8,498	157,881
At 30 June 2020 (Unaudited)									
Cost	16,524	157,278	43,192	8,929	2,522	1,550	354	8,498	238,847
Accumulated depreciation	(5,246)	(49,214)	(19,229)	(3,991)	(2,155)	(1,067)	(64)	—	(80,966)
Net book amount	11,278	108,064	23,963	4,938	367	483	290	8,498	157,881
Year ended 31 December 2019 (Audited)									
Opening net book amount	11,658	74,731	27,014	5,403	458	424	292	28,862	148,842
Additions	154	387	299	—	126	—	—	17,686	18,652
Transfers	391	41,035	357	—	—	—	—	(41,783)	—
Disposals	—	—	(10)	—	—	—	—	—	(10)
Depreciation charge	(703)	(5,565)	(2,809)	(310)	(199)	(55)	—	—	(9,641)
Closing net book amount	11,500	110,588	24,851	5,093	385	369	292	4,765	157,843
At 31 December 2019 (Audited)									
Cost	16,388	156,782	42,711	8,929	2,464	1,410	354	4,765	233,803
Accumulated depreciation	(4,888)	(46,194)	(17,860)	(3,836)	(2,079)	(1,041)	(62)	—	(75,960)
Net book amount	11,500	110,588	24,851	5,093	385	369	292	4,765	157,843

As at 30 June 2020, property, plant and equipment with carrying amount of RMB92,506,000 were pledged as collaterals for the borrowings of the Group (As at 31 December 2019: RMB85,572,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

14 INTANGIBLE ASSETS

	Sea area use rights RMB'000	Computer software RMB'000	Total RMB'000
Six months ended 30 June 2020 (Unaudited)			
Opening net book amount	—	205	205
Additions	—	24	24
Amortization charge	—	(15)	(15)
Closing net book amount	—	214	214
At 30 June 2020 (Unaudited)			
Cost	—	466	466
Accumulated amortization	—	(252)	(252)
Net book amount	—	214	214
Year ended 31 December 2019 (Audited)			
At 31 December 2018	9,420	247	9,667
Reclassify to right of use assets	(9,420)	—	(9,420)
Opening net book amount	—	247	247
Additions	—	3	3
Amortization charge	—	(45)	(45)
Closing net book amount	—	205	205
At 31 December 2019 (Audited)			
Cost	—	442	442
Accumulated amortization	—	(237)	(237)
Net book amount	—	205	205

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

15 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM RELATED PARTIES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables	9,971	7,802
Less: allowance for impairment of trade receivables	—	—
Trade receivables — net	9,971	7,802
VAT recoverable	2,682	9,735
Note receivables — third parties	2,400	7,263
Other receivables — third parties	556	927
	15,609	25,727
Amounts due from related parties <i>(Note 22(d))</i>	1,591	283

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Less than 30 days	9,692	7,802
31 to 60 days	248	—
61 to 90 days	31	—
	9,971	7,802

- (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 2020 and 31 December 2019, the fair values of trade and other receivables and amounts due from related parties approximate their carrying amounts due to their short-term maturities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

16 INVENTORIES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Fuel oil	—	52,385

During the six months ended 30 June 2020, the cost of inventories recognized as expenses and included in “cost of sales” in profit and loss amounted to RMB52,385,000 (for the six months ended 30 June 2019: nil). There was no write-down of inventory during the six months ended 30 June 2020 (as at 31 December 2019: nil).

17 PREPAYMENTS AND OTHER ASSETS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Prepayments for construction and acquisition of property, plant and equipment	2,688	2,415
Prepayments for electricity and other expenses	384	698
Prepayments for procurement of oil products	40,000	—
	43,072	3,113
Less: non-current portion of prepayments	(2,688)	(2,415)
Current portion of prepayments and other assets	40,384	698

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

18 SHARE CAPITAL AND SHARE PREMIUM

	Share capital			Share premium RMB'000
	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	
Issued and fully paid up:				
Year ended 31 December 2018				
As at 1 January 2018	100	—	—	155,000
Capitalization issue (<i>Note (a)</i>)	449,999,900	4,500	3,671	(3,671)
Issue of new shares pursuant to the initial public offering (<i>Note (b)</i>)	150,000,000	1,500	1,224	102,788
Share issuance costs (<i>Note (b)</i>)	—	—	—	(22,239)
As at 31 December 2018 (Audited) and as at 1 January 2019	600,000,000	6,000	4,895	231,878
Dividends paid to owners of the Company	—	—	—	(7,800)
As at 31 December 2019 (Audited) and as at 1 January 2020	600,000,000	6,000	4,895	224,078
Dividends paid to owners of the Company	—	—	—	(19,200)
As at 30 June 2020 (Unaudited)	600,000,000	6,000	4,895	204,878

(a) Pursuant to the resolutions of the shareholders passed on 10 May 2018, the Company allotted and issued a total of 449,999,900 shares credited as fully paid at par to the existing shareholders of the Company in proportion to their respective shareholdings by way of capitalization of the sum of HK\$4,500,000 standing to the credit of the share premium account of the Company.

(b) In connection with the initial public offering of the Company, 150,000,000 ordinary shares at par value of HK\$0.01 each were issued at HK\$0.85 each for a net cash consideration of RMB102,788,000 on 1 June 2018. The share issuance costs of RMB22,239,000 were deducted from the share premium.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

19 TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade payables (<i>Note (a)</i>)	—	12,482
Accrual for staff costs and allowances	2,958	5,704
Other payables and accruals	3,879	5,173
Other tax payables	1,877	1,389
Accrual for construction of Zhengyuan Terminal and acquisition of property and equipment	1,085	1,356
Total	9,799	26,104

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

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
31 to 60 days	—	12,482
	—	12,482

- (b) The Group's trade and other payables at respective balance sheet dates are denominated in RMB and HK\$.
- (c) As at 30 June 2020 and 31 December 2019, the fair values of trade and other payables and accruals and approximate their carrying amounts due to their short-term maturities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

20 BORROWINGS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Current:		
— Secured bank borrowings	40,000	20,000

As at 30 June 2020, borrowings of RMB40,000,000 (as at 31 December 2019: RMB20,000,000) of the Group are secured by the Group's certain land use rights with carrying amount of RMB25,113,000, property, plant and equipment with carrying amount of RMB92,506,000 and sea area use rights with carrying amount of RMB6,650,000. (As at 31 December 2019: certain land use rights with carrying amount of RMB25,553,000, property, plant and equipment with carrying amount of RMB85,572,000 and sea area use rights with carrying amount of RMB6,778,000).

21 COMMITMENTS

Capital commitments

As at 30 June 2020 and 31 December 2019, the Group had the following capital commitments on construction and acquisition of property, plant and equipment:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Contracted but not provided for	3,123	4,997
Authorized but not contracted for	10,261	11,884
	13,384	16,881

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

22 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Mr. Yang	Controlling Shareholder
Maoming Tianyuan Trade Development Company Limited ("Maoming Tianyuan")	Former holding company of Tianyuan Terminal and Zhengyuan Terminal
Maoming Tianyuan Petrochemical Co., Ltd ("Tianyuan Petrochemical")	Controlled by Mr. Yang

(b) Significant transactions with related parties

- (i) The Controlling Shareholder leased an office to a subsidiary of the Group for office as registered office. Before the listing of the Company, the Controlling Shareholder did not charge any rental and thereafter, has commenced to receive a monthly rent of HK\$40,000 from June 2019 till December 2020.

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Lease payment to Mr. Yang	218	207

(ii) Provision of uploading and unloading services with related parties

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from provision of uploading and unloading services to Tianyuan Petrochemical	2,511	3,536
Revenue from provision of uploading and unloading services to Maoming Tianyuan	2,767	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts expressed in RMB unless otherwise stated)

22 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensations

Key management compensation for the six months ended 30 June 2020 and 2019, other than those relating to the emoluments of directors, are set out below:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Salaries, wages and bonuses	812	769
Contributions to pension plans	16	22
Welfare, medical and other expenses	3	4
	831	795

(d) Balance with related parties

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
	(i) Amounts due from related parties	
— Tianyuan Petrochemical	607	283
— Maoming Tianyuan	984	—

The amounts due from related parties are unsecured, interest-free and receivable on demand.

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
	(ii) Lease liabilities due to Mr. Yang	206

23 EVENTS AFTER THE BALANCE SHEET DATE

From 30 June 2020 to the date of this interim report, there is no important event affecting the Group.