



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



2021
Interim Report

CONTENTS

| | |
|---|----|
| Corporate Information | 2 |
| Management Discussion and Analysis | 4 |
| Corporate Governance and Other Information | 9 |
| Interim Condensed Consolidated Statement of Comprehensive Income | 13 |
| Interim Condensed Consolidated Balance Sheet | 14 |
| Interim Condensed Consolidated Statement of Changes in Equity | 16 |
| Interim Condensed Consolidated Statement of Cash Flows | 17 |
| Notes to the Interim Condensed Consolidated Financial Information | 18 |



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

Windward 3, Regatta Office Park

P.O. Box 1350

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
Windward 3, Regatta Office Park
P.O. Box 1350
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 2021 (the “Reporting Period”), we mainly handled bulk cargo such as coal, quartz sand, oil products, grains, asphalt and kaolinite as well as a small portion of break bulk cargo and neo-bulk cargo;
- (ii) Related ancillary value-added port services, which mainly include storage services at our oil tanks and grain barns as well as lease of our shovel trucks; and
- (iii) Supply and sales of oil products.

During the six months ended 30 June 2021, the Group achieved a total cargo throughput of approximately 2,031 thousand tonnes, representing a decrease of approximately 217 thousand tonnes or approximately 9.7% from approximately 2,248 thousand tonnes for the six months ended 30 June 2020 (the “Corresponding Period”). The decrease was mainly due to lower throughputs of coal, grains and oil products recorded for the six months ended 30 June 2021 compared to the Corresponding Period. Those lower throughputs were mainly due to a decrease in demand.

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

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

Cost of Sales

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

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

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

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

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

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

Other Gains — Net

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

Selling and Administrative Expenses

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

Finance Costs — Net

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

Share of Results of a Joint Venture

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

Income Tax Expense

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

Profit Attributable to Owners of the Company

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

Net Current Assets

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

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings were approximately RMB45.7 million as at 30 June 2021 (as at 31 December 2020: approximately RMB45.7 million). The interest-bearing borrowings are expected to facilitate the development of the Group's trade businesses and the investment in the joint venture, which is expected to engage in the businesses of international energy trading, petrochemical trading and the investment in warehousing facilities located in Zhanjiang, the PRC. The Group's interest-bearing borrowings were mainly denominated in Renminbi ("RMB"). The Group's interest-bearing borrowings of approximately RMB45.7 million were repayable within 1 year. The gearing ratio (defined as total debt divided by total equity) was approximately 13.2% as at 30 June 2021 (as at 31 December 2020: approximately 12.8%).

Treasury Policy

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

Capital Structure

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

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

Save for disclosed in the annual report for the year ended 31 December 2020, there were no significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Same).

Pledge of Assets and Contingent Liabilities

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

Foreign Exchange Risk

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources and Remuneration

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

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

As disclosed in the annual report for the year ended 31 December 2020, Maoming Tianyuan Terminal Operation Company Limited* (茂名市天源碼頭經營有限公司) ("Tianyuan") is still in the process of applying for the state-owned land use right certificate for a parcel of land with a site area of 2,589.3 sq.m. where Tianyuan has constructed office buildings, an internal warehouse and an entrance guard house thereon. Tianyuan was informed by the relevant authority that the application is still pending for approval and the process takes more time as there is insufficient record of this parcel of land being kept by the authority, and the processing timeline is still uncertain. Despite of the above, it does not have any impact on our business operation as the Company is not using it for its terminal business and the said parcel of land had made no attributable revenue to the Company during the Track Record Period (as defined in the Prospectus) up to the date of this 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 2021 (for the six months ended 30 June 2020: Nil).

Future Plans for Material Investments or Capital Assets

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

Capital Commitments

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

Outlook and Prospects

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

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



CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Board recognises the importance of good corporate governance standards and internal procedures so as to achieve effective accountability and enhance shareholders' value. The Board is of the opinion that the Company has complied with applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since 1 January 2021 and up to 30 June 2021, except for:

1. Code provision A.2.1 which requires the roles of chairman and chief executive to be separate and not to be performed by the same individual. The Board is of the view that there is adequate balance of power and authority in place as all major decisions have been made in discussion among Board members and appropriate Board committees. In addition, there are three independent non-executive Directors on the Board offering their experiences, expertise, independent advice and views to the Board's affairs from different perspectives. Therefore, it is in the best interest of the Company that Mr. Yang Jinming, with his in-depth knowledge in the businesses and extensive experience of the operations of the Group, shall assume his dual capacity as the Chairman and Chief Executive Officer.
2. Code provision C.2.5 which requires the issuer should have an internal audit function. The Company does not establish a standalone internal audit department, however, the Board has put in place adequate measures to perform the internal audit function in relation to different aspects including (i) the Board has established formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations and (ii) the Company proposes to engage an external consultant to perform an internal review on the scope determined by the audit committee (the "Audit Committee") in the second half of the year. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and close supervision by the management can maintain sufficient risk management and internal control of the Group. However, the Board will review the need to set up an internal audit function from time to time and may set up an internal audit team if the need arises.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company throughout the six months ended 30 June 2021.

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 2021, 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 2021, 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 2021, 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 2021, 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 2020, 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 2021 and is of the view that the preparation of the unaudited interim results has complied with applicable accounting standards and requirements.

The Audit Committee has reviewed unaudited interim results for the six months ended 30 June 2021 with the Company’s management and this 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 2021.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There is no important event subsequent to 30 June 2021 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 2021



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021
(All amounts expressed in RMB unless otherwise stated)

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|--------------------------------|
| | | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Revenue | 6 | 198,759 | 101,162 |
| Cost of sales | 8 | (169,777) | (71,398) |
| Gross profit | | 28,982 | 29,764 |
| Other gains — net | 7 | 612 | 193 |
| Selling and administrative expenses | 8 | (7,386) | (6,559) |
| Operating Profit | | 22,208 | 23,398 |
| Finance costs — net | | (1,762) | (1,158) |
| Finance income | | 6 | 35 |
| Finance costs | | (1,768) | (1,193) |
| Share of results of a joint venture | | (990) | — |
| Profit before income tax | | 19,456 | 22,240 |
| Income tax expense | 9 | (5,931) | (6,346) |
| Profit for the period | | 13,525 | 15,894 |
| Other comprehensive income for the period | | — | — |
| Total comprehensive income for the period | | 13,525 | 15,894 |
| Profit and total comprehensive income attributable to: | | | |
| Owners of the Company | | 9,551 | 11,355 |
| Non-controlling interests | | 3,974 | 4,539 |
| | | 13,525 | 15,894 |
| Earnings per share for profit attributable to owners of the Company (expressed in RMB per share) | | | |
| Basic and diluted | 10 | 0.016 | 0.019 |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

(All amounts expressed in RMB unless otherwise stated)

| | Note | As at 30 June 2021 RMB'000 (Unaudited) | As at 31 December 2020 RMB'000 (Audited) |
|---|------|--|--|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 156,210 | 156,106 |
| Right-of-use assets | 12 | 50,134 | 50,162 |
| Intangible assets | 14 | 183 | 202 |
| Investment in a joint venture | 15 | 12,474 | 13,464 |
| Prepayments | 18 | 1,987 | 2,486 |
| Deferred income tax assets | | 6 | 6 |
| | | 220,994 | 222,426 |
| Current assets | | | |
| Trade and other receivables | 16 | 39,609 | 32,312 |
| Amounts due from related parties | 16 | 1,100 | 1,162 |
| Inventories | 17 | 164,138 | 149,462 |
| Prepayments and other assets | 18 | 317 | 739 |
| Restricted cash | | 1,130 | 1,130 |
| Term deposits | | 4,912 | 2,273 |
| Cash and cash equivalents | | 24,972 | 38,801 |
| | | 236,178 | 225,879 |
| Total assets | | 457,172 | 448,305 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 19 | 4,895 | 4,895 |
| Share premium | 19 | 184,478 | 204,878 |
| Other reserves | | (20,473) | (20,934) |
| Retained earnings | | 129,721 | 120,631 |
| | | 298,621 | 309,470 |
| Non-controlling interests | | 55,450 | 51,476 |
| Total equity | | 354,071 | 360,946 |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

(All amounts expressed in RMB unless otherwise stated)

| | <i>Note</i> | As at 30 June 2021 RMB'000 (Unaudited) | As at 31 December 2020 RMB'000 (Audited) |
|---------------------------------------|-------------|---|--|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | 12 | 742 | 322 |
| Deferred income tax liabilities | | 281 | 281 |
| | | 1,023 | 603 |
| Current liabilities | | | |
| Amounts due to a related party | 20 | — | 225 |
| Trade and other payables and accruals | 20 | 8,030 | 13,964 |
| Borrowings | 21 | 45,700 | 45,700 |
| Contract liabilities | | 42,067 | 19,290 |
| Current income tax liabilities | | 5,917 | 7,494 |
| Lease liabilities | 12 | 354 | 73 |
| Deferred income tax liabilities | | 10 | 10 |
| | | 102,078 | 86,756 |
| Total liabilities | | 103,101 | 87,359 |
| Total equity and liabilities | | 457,172 | 448,305 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(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 | RMB'000 |
| For the six months ended 30 June 2021 | | | | | | | | | | |
| As at 1 January 2021 | 4,895 | 204,878 | (64,894) | 31,021 | 5,500 | 7,439 | 120,631 | 309,470 | 51,476 | 360,946 |
| Profit and total comprehensive income for the period | — | — | — | — | — | — | 9,551 | 9,551 | 3,974 | 13,525 |
| Appropriation to production safety reserve | — | — | — | — | — | 461 | (461) | — | — | — |
| 2020 Final Dividend | — | (20,400) | — | — | — | — | — | (20,400) | — | (20,400) |
| As at 30 June 2021 | 4,895 | 184,478 | (64,894) | 31,021 | 5,500 | 7,900 | 129,721 | 298,621 | 55,450 | 354,071 |
| 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 |

The notes on pages 18 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 2021
(All amounts expressed in RMB unless otherwise stated)

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Cash flow from operating activities | | |
| Cash generated from operations | 24,175 | 28,955 |
| Interest received | 6 | 35 |
| Interest paid | (1,725) | (1,166) |
| Income tax paid | (7,508) | (6,459) |
| Net cash generated from operating activities | 14,948 | 21,365 |
| Cash flow from investing activities | | |
| Purchases of property, plant and equipment | (5,361) | (5,044) |
| Purchases of sea area use rights | (166) | — |
| Purchases of intangible assets | — | (24) |
| Increase in term deposits | (2,639) | (344) |
| Net cash used in investing activities | (8,166) | (5,412) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | — | 20,000 |
| Dividends paid to owners of the Company | (20,400) | (19,200) |
| Principal elements and interest elements of lease payments | (211) | (259) |
| Net cash (used in)/generated from financing activities | (20,611) | 541 |
| Net (decrease)/increase in cash and cash equivalents | (13,829) | 16,494 |
| Cash and cash equivalents at beginning of the period | 38,801 | 123,523 |
| Cash and cash equivalents at end of the period | 24,972 | 140,017 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(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 Windward 3, Regatta Office Park, 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 2021 and has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”). This Interim Financial Information should be read in conjunction with the Company’s consolidated financial statements for the year ended 31 December 2020 (“2020 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 2020, 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 2021:

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(All amounts expressed in RMB unless otherwise stated)

3 ACCOUNTING POLICIES *(Continued)*

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(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 2020 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 2020 Financial Statements.

There have been no changes in the risk management policies since year ended 31 December 2020.

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, term deposits, restricted cash, trade and other receivables and amounts due from related parties and financial liabilities including borrowings, lease liabilities, trade and other payables and accruals and amounts due to a related party. 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 2021
(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 2021 and as at 30 June 2021 is listed as follows:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in RMB unless otherwise stated)

6 SEGMENT INFORMATION AND REVENUE (Continued)

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(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 31 December 2020 is listed as follows: (Continued)

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

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

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

Rental income are recognised proportionately over the lease term.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(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 | |
|-------------|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Customer A: | 155,947 | 54,276 |

7 OTHER GAINS — NET

| | Six months ended 30 June | |
|---------------------------|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Net foreign exchange gain | 273 | 59 |
| Others | 339 | 134 |
| | 612 | 193 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(All amounts expressed in RMB unless otherwise stated)

8 EXPENSES BY NATURE

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Cost of goods sold | 149,803 | 52,385 |
| Employee benefit expenses | 11,652 | 10,142 |
| Depreciation of property, plant and equipment (Note 13) | 5,257 | 5,006 |
| Depreciation of right-of-use assets (Note 12) | 1,063 | 1,176 |
| Labour services fee | 2,405 | 2,672 |
| Repair and maintenance expenses | 1,019 | 995 |
| Fuel expenditures | 809 | 843 |
| Electricity and water | 706 | 679 |
| Business tax and other levies | 792 | 630 |
| Insurance costs | 328 | 309 |
| Transportation costs | 277 | 259 |
| Professional service expenses | 947 | 768 |
| Travelling expenses | 367 | 259 |
| Production safety expenses | 411 | 916 |
| Amortisation of intangible assets (Note 14) | 19 | 15 |
| Office expenses | 170 | 201 |
| Other expenses | 1,138 | 702 |
| Total cost of sales, selling and administrative expenses | 177,163 | 77,957 |

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 2021 and 2020.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(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 2021 and 2020.

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

| | Six months ended 30 June | |
|--------------------------|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Current income tax: | | |
| PRC corporate income tax | 5,931 | 6,346 |
| Deferred income tax: | | |
| PRC corporate income tax | — | — |
| | 5,931 | 6,346 |

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 | |
|---|--------------------------|---------------------|
| | 2021 (Unaudited) | 2020 (Unaudited) |
| Profit attributable to owners of the Company (RMB'000) | 9,551 | 11,355 |
| Weighted average number of ordinary shares in issue (thousands shares) | 600,000 | 600,000 |
| Basic earnings per share (expressed in RMB) | 0.016 | 0.019 |

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the six months ended 30 June 2021 and 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(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 2021 (for the six months ended 30 June 2020: Nil).

12 LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

| | As at 30 June 2021 RMB'000 (Unaudited) | As at 31 December 2020 RMB'000 (Audited) |
|----------------------------|---|--|
| Right-of-use assets | | |
| Office buildings | 1,055 | 370 |
| Sea area use rights | 8,874 | 8,854 |
| Land use rights | 40,205 | 40,938 |
| | 50,134 | 50,162 |
| Lease liabilities | | |
| Current | 354 | 73 |
| Non-current | 742 | 322 |
| | 1,096 | 395 |

As at 30 June 2021, sea area use rights with carrying amount of RMB609,000 were pledged as collaterals for the borrowings of the Group (As at 31 December 2020: RMB617,000).

As at 30 June 2021, certain land use rights with carrying amount of RMB18,151,000 was pledged as collaterals for the borrowings of the Group (As at 31 December 2020: RMB18,461,000).

As at 30 June 2021, 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 2021

(All amounts expressed in RMB unless otherwise stated)

12 LEASES (Continued)

(b) Amounts recognised 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 | |
|---|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Depreciation charge of right-of-use assets | | |
| Office buildings | 184 | 234 |
| Sea area use rights | 146 | 146 |
| Land use rights | 733 | 796 |
| | 1,063 | 1,176 |
| Interest expense (included in finance cost) | 43 | 27 |

(c) The group's leasing activities

The group leases various offices. Rental contracts are typically made for fixed periods of 3 to 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 2021
(All amounts expressed in RMB unless otherwise stated)

13 PROPERTY, PLANT AND EQUIPMENT

| | Buildings RMB'000 | Terminal facilities RMB'000 | Loading equipment RMB'000 | Storage facilities RMB'000 | Office equipment RMB'000 | Transportation equipment RMB'000 | Leasehold improvements RMB'000 | Construction- in-progress RMB'000 | Total RMB'000 |
|--------------------------------------|----------------------|-----------------------------------|---------------------------------|----------------------------------|--------------------------------|--|--------------------------------------|---|------------------|
| Six months ended 30 June 2021 | | | | | | | | | |
| (Unaudited) | | | | | | | | | |
| Opening net book amount | 10,815 | 111,393 | 23,255 | 4,783 | 441 | 543 | 276 | 4,600 | 156,106 |
| Additions | 98 | 192 | 301 | — | 128 | 5 | — | 4,637 | 5,361 |
| Transfers | 61 | 18 | 1,521 | — | — | — | — | (1,600) | — |
| Depreciation charge | (333) | (3,260) | (1,331) | (155) | (112) | (58) | (8) | — | (5,257) |
| Closing net book amount | 10,641 | 108,343 | 23,746 | 4,628 | 457 | 490 | 268 | 7,637 | 156,210 |
| At 30 June 2021 (Unaudited) | | | | | | | | | |
| Cost | 16,577 | 163,975 | 45,676 | 8,929 | 2,800 | 1,668 | 354 | 7,637 | 247,616 |
| Accumulated depreciation | (5,936) | (55,632) | (21,930) | (4,301) | (2,343) | (1,178) | (86) | — | (91,406) |
| Net book amount | 10,641 | 108,343 | 23,746 | 4,628 | 457 | 490 | 268 | 7,637 | 156,210 |
| Year ended 31 December 2020 | | | | | | | | | |
| (Audited) | | | | | | | | | |
| Opening net book amount | 11,500 | 110,588 | 24,851 | 5,093 | 385 | 369 | 292 | 4,765 | 157,843 |
| Additions | — | 1,129 | 958 | — | 208 | 253 | — | 5,904 | 8,452 |
| Transfers | 30 | 5,854 | 185 | — | — | — | — | (6,069) | — |
| Depreciation charge | (715) | (6,178) | (2,739) | (310) | (152) | (79) | (16) | — | (10,189) |
| Closing net book amount | 10,815 | 111,393 | 23,255 | 4,783 | 441 | 543 | 276 | 4,600 | 156,106 |
| At 31 December 2020 (Audited) | | | | | | | | | |
| Cost | 16,418 | 163,765 | 43,854 | 8,929 | 2,672 | 1,663 | 354 | 4,600 | 242,255 |
| Accumulated depreciation | (5,603) | (52,372) | (20,599) | (4,146) | (2,231) | (1,120) | (78) | — | (86,149) |
| Net book amount | 10,815 | 111,393 | 23,255 | 4,783 | 441 | 543 | 276 | 4,600 | 156,106 |

As at 30 June 2021, property, plant and equipment with carrying amount of RMB23,544,000 were pledged as collaterals for the borrowings of the Group (As at 31 December 2020: RMB24,542,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in RMB unless otherwise stated)

14 INTANGIBLE ASSETS

| | Computer software RMB'000 |
|--|------------------------------|
| Six months ended 30 June 2021 (Unaudited) | |
| Opening net book amount | 202 |
| Amortisation charge | (19) |
| Closing net book amount | (183) |
| At 30 June 2021 (Unaudited) | |
| Cost | 473 |
| Accumulated amortisation | (290) |
| Net book amount | 183 |
| Year ended 31 December 2020 (Audited) | |
| Opening net book amount | 205 |
| Additions | 31 |
| Amortisation charge | (34) |
| Closing net book amount | 202 |
| At 31 December 2020 (Audited) | |
| Cost | 473 |
| Accumulated amortisation | (271) |
| Net book amount | 202 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(All amounts expressed in RMB unless otherwise stated)

15 INVESTMENT IN A JOINT VENTURE

For the joint venture that is accounted for using the equity method, the movement during the six months ended 30 June 2021 is set out as below:

| | Six months ended 30 June 2021 RMB'000 (Unaudited) | Year ended 31 December 2020 RMB'000 (Audited) |
|-------------------------|--|---|
| Opening net book amount | 13,464 | — |
| Addition | — | 13,889 |
| Share of results | (990) | (425) |
| Closing net book amount | 12,474 | 13,464 |

(a) Particular of the Group's joint venture is set out below:

| Name of entity | Place of incorporation | % of ownership interest | Principal activities |
|--|-----------------------------------|------------------------------------|-----------------------------|
| Fortune Tian Yuan Petrochemical Limited | Hong Kong | 30 | Investment holdings |

The other joint venture partner which owns the remaining 70% is Fortune Oil PRC Holdings Limited, a company principally engaged in investment and trading of energy resources related to oil and natural gas in the PRC. The joint venture was set up for making investing in Zhanjiang for certain warehouse facilities of oil products.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in RMB unless otherwise stated)

16 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM RELATED PARTIES

| | As at 30 June 2021 RMB'000 (Unaudited) | As at 31 December 2020 RMB'000 (Audited) |
|---|--|--|
| Trade receivables | 12,699 | 9,150 |
| Less: allowance for impairment of trade receivables | — | — |
| Trade receivables — net | 12,699 | 9,150 |
| VAT recoverable | 21,211 | 21,282 |
| Note receivables — third parties | 5,342 | 1,404 |
| Other receivables — third parties | 357 | 476 |
| | 39,609 | 32,312 |
| Amounts due from related parties (Note 23(d)) | 1,100 | 1,162 |

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(All amounts expressed in RMB unless otherwise stated)

17 INVENTORIES

| | As at 30 June 2021 RMB'000 (Unaudited) | As at 31 December 2020 RMB'000 (Audited) |
|--------------|---|--|
| Oil products | 164,138 | 149,462 |

During the six months ended 30 June 2021, the cost of inventories recognised as expenses and included in "cost of sales" in profit and loss amounted to RMB149,803,000 (for the six months ended 30 June 2020: RMB52,385,000). There was no write-down of inventory during the six months ended 30 June 2021 (as at 31 December 2020: nil).

18 PREPAYMENTS AND OTHER ASSETS

| | As at 30 June 2021 RMB'000 (Unaudited) | As at 31 December 2020 RMB'000 (Audited) |
|--|---|--|
| Prepayments for construction and acquisition of property, plant and equipment | 1,987 | 2,486 |
| Prepayments for electricity and other expenses | 317 | 739 |
| | 2,304 | 3,225 |
| Less: non-current portion of prepayments | (1,987) | (2,486) |
| Current portion of prepayments and other assets | 317 | 739 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in RMB unless otherwise stated)

19 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: | | | | |
| 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 31 December 2020 (Audited) and as at 1 January 2021 | 600,000,000 | 6,000 | 4,895 | 204,878 |
| Dividends paid to owners of the Company | — | — | — | (20,400) |
| As at 30 June 2021 (Unaudited) | 600,000,000 | 6,000 | 4,895 | 184,478 |

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

| | As at 30 June 2021 RMB'000 (Unaudited) | As at 31 December 2020 RMB'000 (Audited) |
|---|--|--|
| Accrual for staff costs and allowances | 3,171 | 5,852 |
| Other payables and accruals | 3,025 | 6,214 |
| Other tax payables | 1,834 | 1,898 |
| Total | 8,030 | 13,964 |
| Amounts due to a related party (Note 23(d)) | — | 225 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(All amounts expressed in RMB unless otherwise stated)

21 BORROWINGS

| | As at 30 June 2021 RMB'000 (Unaudited) | As at 31 December 2020 RMB'000 (Audited) |
|---------------------------|---|--|
| Current: | | |
| — Secured bank borrowings | 45,700 | 45,700 |

As at 30 June 2021, borrowings of RMB45,700,000 are secured by certain land use rights (Note 12), property, plant and equipment (Note 13) and sea area use rights (Note 12) and related parties (Note 23(e)) of the Group (As at 31 December 2020: RMB45,700,000).

22 COMMITMENTS

Capital commitments

As at 30 June 2021 and 31 December 2020, the Group had the following capital commitments on construction and acquisition of property, plant and equipment:

| | As at 30 June 2021 RMB'000 (Unaudited) | As at 31 December 2020 RMB'000 (Audited) |
|---------------------------------|---|--|
| Contracted but not provided for | 712 | 3,484 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in RMB unless otherwise stated)

23 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

| Name | Relationship |
|---|---|
| Mr. Yang | Controlling Shareholder |
| Ms. Zhang Dan | Controlling Shareholder's spouse |
| Maoming Tianyuan Trade Development Limited. ("Maoming Tianyuan") | Former holding company of Tianyuan Terminal and Zhengyuan Terminal |
| Maoming Tianyuan Petrochemical Co., Ltd. ("Tianyuan Petrochemical") | Controlled by Mr. Yang |
| Foshan Shunde Fuel Petrochemical Co., Ltd. ("Shunde Petrochemical") | Controlled by Mr. Yang |
| Guangxi Beihai Heyuan Petrochemical Co., Ltd. ("Heyuan Petrochemical") | Controlled by Mr. Yang |
| Guangdong Yuexiang Tianyuan Holdings Co., Ltd. ("Yuexiang Tianyuan") | Controlled by Mr. Yang |

(b) Significant transactions with related parties

The Group had the following significant transactions with related parties:

- (i) The Controlling Shareholder leased an office for a subsidiary of the Group as registered office. And charged a monthly rent of HK\$32,000 from 1 January 2021 till 31 December 2023.

| | Six months ended 30 June | |
|--------------------------------|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Office rental paid to Mr. Yang | 162 | 218 |

- (ii) Tianyuan Petrochemical leased oil tanks for a subsidiary of the Group to store the oil products for sales from December 2020 to February 2021.

| | Six months ended 30 June | |
|----------------|--------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Rental expense | 341 | — |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(All amounts expressed in RMB unless otherwise stated)

23 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties *(Continued)*

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

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Revenue from provision of uploading and unloading services | | |
| — Tianyuan Petrochemical | 1,845 | 2,511 |
| — Maoming Tianyuan | 3,034 | 2,767 |
| | 4,879 | 5,278 |

(c) Key management compensations

Key management compensation for the six months ended 30 June 2021 and 2020, other than those relating to the emoluments of directors, are set out below:

| | Six months ended 30 June | |
|-------------------------------------|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Salaries, wages and bonuses | 808 | 812 |
| Contributions to pension plans | 23 | 16 |
| Welfare, medical and other expenses | 3 | 3 |
| | 834 | 831 |

(d) Balance with related parties

| | As at 30 June 2021 RMB'000 (Unaudited) | As at 31 December 2020 RMB'000 (Audited) |
|--|--|--|
| | (i) Amounts due from related parties | |
| — Tianyuan Petrochemical | 764 | 826 |
| — Maoming Tianyuan | 336 | 336 |
| | 1,100 | 1,162 |
| (ii) Amounts due to Tianyuan Petrochemical | — | 225 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in RMB unless otherwise stated)

23 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Balance with related parties *(Continued)*

The amounts due from related parties and amounts due to a related party are unsecured, interest-free and receivable/repayable in accordance with agreed terms with related parties.

| | As at 30 June 2021 RMB'000 (Unaudited) | As at 31 December 2020 RMB'000 (Audited) |
|---|--|--|
| (iii) Lease liabilities due to Mr. Yang | 736 | — |

(e) Guarantee

| | As at 30 June 2021 RMB'000 (Unaudited) | As at 31 December 2020 RMB'000 (Audited) |
|--|--|--|
| Guarantee provided by Mr. Yang, Ms. Zhang Dan, Maoming Tianyuan, Shunde Petrochemical, Heyuan Petrochemical and Yuexiang Tianyuan in respect of the credit facilities of the Group | 100,000 | 100,000 |

The above guarantee provided by related parties in respect of the credit facilities of the Group without any charge, please refer to Note 21.

24 EVENTS AFTER THE BALANCE SHEET DATE

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