



# 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



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INTERIM  
REPORT  
**2019**

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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.tianyuan groupholdings.com](http://www.tianyuan groupholdings.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

## PRINCIPAL SHARE REGISTRAR

Estera 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.

## COMPLIANCE ADVISER

RaffAello Capital Limited  
Unit 1701, 17/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Sheung Wan, Hong Kong

## 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*  
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 services 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 2019 (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; and
- (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.

To meet increasing requirements and expectations on production safety standards, the Group has lifted its attention to balance between achieving higher production safety standards and utilisation rate. During the six months ended 30 June 2019, the Group achieved a total cargo throughput of approximately 1,828 thousand tonnes, representing a decrease of approximately 277 thousand tonnes or approximately 13.2% from approximately 2,105 thousand tonnes for the corresponding period in 2018. The decrease was mainly due to lower throughput of oil products, asphalt, quartz sand and grains recorded for the six months ended 30 June 2019 compared to the corresponding period in 2018. Lower throughput of oil products mainly reflected a decrease in demand mainly due to slowdown of China’s economy and fluctuation of prices of oil products. The decrease in throughput of asphalt was mainly due to a decrease in demand mainly resulted from completion of certain local infrastructure projects in 2018. The decrease in throughput of quartz sand was mainly affected temporarily by the impact of local policies on mineral resources integration. The decrease in throughput of grains was mainly due to the impact of African swine fever epidemics.

The average selling price of the cargo handling fees of the Group recorded for the six months ended 30 June 2019 was slightly higher compared to the corresponding period in 2018.

During the six months ended 30 June 2019, the Group has continued to strengthen the relationship with its existing key customers and further widen its customer base.

The construction of the new phase of Zhengyuan Terminal has been completed in the first quarter of 2019 and a testing and trial run period of about six months has commenced in March 2019.

During the Reporting Period, the Company has announced that the Group may enter into a joint venture agreement with Fortune Oil PRC Holdings Limited to form a joint venture company which is expected to engage in the businesses of international energy trading, petrochemical trading and the investment in warehousing facilities which is located in Zhanjiang, the PRC, subject to the terms of the joint venture agreement.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2019, the revenue was approximately RMB39.5 million, representing a decrease of approximately 6.3% compared to the corresponding period in 2018. The decrease in revenue was attributable to a decrease in revenue from uploading and unloading services and rental income.

Revenue	Six months ended 30 June		Changes	
	2019 RMB'000	2018 RMB'000	RMB'000	%
Revenue from uploading and unloading services	37,229	39,486	(2,257)	(5.7%)
Rental income	2,293	2,671	(378)	(14.2%)
Total	39,522	42,157	(2,635)	(6.3%)

For the six months ended 30 June 2019, our revenue from uploading and unloading services decreased by approximately 5.7% compared to the corresponding period in 2018 to approximately RMB37.2 million.

The decrease in the revenue from uploading and unloading services was mainly attributable to a decrease in revenue generated from handling oil products, asphalt, quartz sand and grains, which was partially offset by an increase in the revenue generated from handling coal, kaolinite and others. 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 2018. 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 2019, our rental income decreased by 14.2% compared to the corresponding period in 2018. The decrease was mainly due to change of the use of a warehouse to act as a transitory storage to cater customers' demand and improve the efficiency of the uploading and unloading services.

### Cost of sales

Our cost of sales increased by approximately 11.4% from approximately RMB15.6 million for the six months ended 30 June 2018 to approximately RMB17.3 million for the six months ended 30 June 2019. This was primarily driven by an increase in employee benefit expenses mainly due to an increase in salaries and an increase in depreciation of property, plant and equipment.

### Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately 16.6% from approximately RMB26.6 million for the six months ended 30 June 2018 to approximately RMB22.2 million for the six months ended 30 June 2019. The decrease in gross profit was mainly attributable to a decrease in revenue from uploading and unloading services given total cargo throughput decreased by approximately 13.2% and an increase in our cost of sales by approximately RMB1.8 million driven mainly by an increase in employee benefit expenses and an increase in depreciation of property, plant and equipment as mentioned above. These factors led to our gross profit margin decreasing from approximately 63.1% for the six months ended 30 June 2018 to approximately 56.2% for the six months ended 30 June 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Other Income and Other (Losses)/Gains — Net**

For the six months ended 30 June 2018, the Group's other income primarily consists of income from the provision of guarantee and pledging of assets as collaterals for certain banking facilities of Maoming Tianyuan Trade Development Limited ("Maoming Tianyuan"), a company established in the PRC and controlled by our controlling shareholder. For the six months ended 30 June 2018, we recorded an aggregate guarantee fee of approximately RMB699,000 for our provision of security for banking facilities of Maoming Tianyuan. This was calculated with reference to a guarantee fee determined on a daily basis based on the aggregated banking facilities of Maoming Tianyuan that were pledged or guaranteed by the Group plus the equivalent daily interest rate for a three-month time deposit offered by the Industrial and Commercial Bank of China. The guarantee and pledges provided by the Group for the banking facilities granted to Maoming Tianyuan had been released before the publication of the prospectus of the Company (the "Prospectus") dated 18 May 2018.

For the six months ended 30 June 2019, other losses — net of approximately RMB2.1 million (for the six months ended 30 June 2018: other gains — net of approximately RMB737,000) consisted mainly of compensations paid for removal of fishing boats and factory nearby the Group's terminals, which were non-recurring expenses, and net foreign exchange loss.

## **Selling and Administrative Expenses**

Selling and administrative expenses decreased from approximately RMB18.2 million for the six months ended 30 June 2018 to approximately RMB6.8 million for the six months ended 30 June 2019, primarily attributable to no listing expenses incurred for the six months ended 30 June 2019 compared to an amount of approximately of RMB12.6 million listing expenses charged to administrative expenses for the six months ended 30 June 2018. If the one-off listing expenses were excluded from the administrative expenses for the six months ended 30 June 2018, the administrative expenses for the six months ended 30 June 2019 increased mainly due to an increase in employee benefits expenses resulted from an increase in salaries and payment of directors' remuneration and an increase in professional service expenses.

## **Finance Expenses — Net**

Finance income consisted of bank interest income. Finance expenses mainly consisted of interest expenses from bank borrowings and lease liabilities. The net finance expenses incurred for the six months ended 30 June 2019 was mainly due to short-term bank borrowings made during the Reporting Period.

## **Income Tax Expense**

The Group's income tax expense decreased by approximately 32.7% from approximately RMB6.1 million for the six months ended 30 June 2018 to approximately RMB4.1 million for the six months ended 30 June 2019. The decrease was mainly due to a decrease in the Group's profit before income tax for the six months ended 30 June 2019 compared to the Group's profit before income tax excluding listing expenses for the six months ended 30 June 2018 and certain listing expenses were not deductible for tax purposes.

## **Profit/(Loss) Attributable to Owners of the Company**

For the six months ended 30 June 2019, the Group's profit attributable to owners of the Company was approximately RMB6.0 million (for the six months ended 30 June 2018: a loss attributable to owners of the Company of approximately RMB858,000). If the one-off listing expenses of approximately RMB12.6 million charged to the profit or loss statement for the corresponding period in 2018 was excluded, the profit attributable to owners of the Company for the six months ended 30 June 2018 would be approximately RMB11.7 million.

The decrease in the profit attributable to owners of the Company for the six months ended 30 June 2019 was mainly due to a decrease in gross profit resulted from a decrease in revenue and an increase in cost of sales as mentioned above; other losses — net was recorded during the Reporting Period compared to other gains — net recorded for the corresponding period in 2018 as mentioned above; and an increase in selling and administrative expenses (one-off listing expenses for the six months ended 30 June 2018 excluded) mainly driven by an increase in employee benefits expenses and professional service expenses as mentioned above.

## **Liquidity and Financial Resources**

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

The Group recorded net current assets of approximately RMB135.0 million as at 30 June 2019, while the net current assets as at 31 December 2018 was approximately RMB169.5 million.

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

The Group's interest-bearing borrowings were approximately RMB40.0 million as at 30 June 2019 (as at 31 December 2018: Nil). 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 11.4% as at 30 June 2019 (as at 31 December 2018: Nil).

### ***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 as to the proposed formation of a joint venture as disclosed in the announcement of the Company dated 11 June 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 2019 (for the six months ended 30 June 2018: Nil).



# MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2019, 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 RMB130.8 million as collateral for certain banking facilities of the Group granted by a PRC bank (as at 31 December 2018: Nil).

## **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 2018: Same).

## **Human Resources and Remuneration**

As at 30 June 2019, the Group employed 231 employees (as at 30 June 2018: 222 employees) with total staff costs of approximately RMB10.4 million incurred for the six months ended 30 June 2019 (for the six months ended 30 June 2018: approximately RMB8.7 million). The increase of staff costs of the Group was mainly due to increase in number of employees and salaries and the payment of directors' remuneration for the six months ended 30 June 2019 compared to the corresponding period in 2018. 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 announcement of the Company dated 3 May 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) 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 2019 (for the six months ended 30 June 2018: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2019 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 2019 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%	21,588
Working capital and other general corporate purposes	4,072	10%	4,072
Total	40,716	100%	25,660

## 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 2019.

## Capital Commitments

As at 30 June 2019, the Group had capital commitments for acquisition of property, plant and equipment amounting to approximately RMB21.4 million (as at 31 December 2018: approximately RMB36.0 million).

## Outlook and Prospects

The Group strives to continue to increase the cargo sources and diversify the cargo varieties aiming to achieve a growth in cargo throughput. The Group will continue to improve the operational efficiency by upgrading terminal facilities and equipment to enhance its competitiveness.

The construction of the new phase of Zhengyuan Terminal has been completed in the first quarter of 2019 and a testing and trial run period of about six months has commenced in March 2019. The new phase of Zhengyuan Terminal is expected to be a major driving force for the potential growth in the Group's cargo throughput in future.

The Group will continue to develop its trade businesses, which are expected to increase the revenue streams of the Group and benefit the Group's businesses of the uploading and unloading services and the value-added port services.

## 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 2019 and up to 30 June 2019, 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 2019.

## 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 2019, 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 (Note 1)	423,000,000	70.5%
Mr. Yang Fan	Interest in a controlled corporation (Note 2)	27,000,000	4.5%

Notes:

- 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.
- 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.

### 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 2019, 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 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 2019, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, 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:

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 2019, 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.

## 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**

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 2019 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 2019 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 2019.

## **IMPORTANT EVENTS AFTER THE REPORTING PERIOD**

Save as to (i) the entering of a framework agreement in relation to supply of liquefied natural gas as disclosed in the announcement of the Company dated 29 July 2019; and (ii) the engagement in trading of oil related goods and products, there is no important event subsequent to 30 June 2019 and up to the date of this interim report.

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

(All amounts expressed in RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	6	39,522	42,157
Cost of sales	9	(17,330)	(15,557)
<b>Gross profit</b>		<b>22,192</b>	26,600
Other income	7	–	699
Other (losses)/gains — net	8	(2,106)	737
Selling and administrative expenses	9	(6,766)	(18,222)
<b>Operating Profit</b>		<b>13,320</b>	9,814
Finance income		73	–
Finance expenses		(258)	–
Finance expenses — net		(185)	–
<b>Profit before income tax</b>		<b>13,135</b>	9,814
Income tax expense	10	(4,119)	(6,120)
<b>Profit for the period</b>		<b>9,016</b>	3,694
Other comprehensive income for the period		–	–
<b>Total comprehensive income for the period</b>		<b>9,016</b>	3,694
<b>Profit/(loss) and total comprehensive income attributable to:</b>			
Owners of the Company		6,031	(858)
Non-controlling interests		2,985	4,552
		<b>9,016</b>	3,694
<b>Earnings/(losses) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)</b>			
Basic and diluted	11	0.010	(0.0018)

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

(All amounts expressed in RMB unless otherwise stated)

	<i>Note</i>	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	<b>As at 31 December 2018 RMB'000 (Audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	159,272	148,842
Right-of-use assets		1,048	–
Prepaid operating leases	13	43,323	44,118
Intangible assets	15	9,485	9,667
Prepayment	17	3,335	105
		<b>216,463</b>	202,732
<b>Current assets</b>			
Trade and other receivables	16	16,822	14,154
Amount due from a related party	16	2,479	149
Prepayments and other assets	17	684	1,276
Term deposits		2,767	1,773
Cash and cash equivalents		177,153	176,755
		<b>199,905</b>	194,107
<b>Total assets</b>		<b>416,368</b>	396,839
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	18	4,895	4,895
Share premium	18	224,078	231,878
Other reserves		(20,652)	(21,088)
Retained earnings		91,120	85,525
		<b>299,441</b>	301,210
<b>Non-controlling interests</b>		<b>51,153</b>	70,668
<b>Total equity</b>		<b>350,594</b>	371,878



# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

(All amounts expressed in RMB unless otherwise stated)

	<i>Note</i>	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	<b>As at 31 December 2018 RMB'000 (Audited)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>576</b>	–
Deferred income tax liabilities		<b>308</b>	308
		<b>884</b>	308
<b>Current liabilities</b>			
Other payables and accruals	19	<b>18,661</b>	17,263
Short-term borrowings	20	<b>40,000</b>	–
Contract liabilities		<b>1,794</b>	1,854
Current income tax liabilities		<b>3,949</b>	5,536
Lease liabilities		<b>486</b>	–
		<b>64,890</b>	24,653
<b>Total liabilities</b>		<b>65,774</b>	24,961
<b>Total equity and liabilities</b>		<b>416,368</b>	396,839

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2019  
(All amounts expressed in RMB unless otherwise stated)

	Unaudited									
	Attributable to owners of the Company									Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other capital reserves RMB'000	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Production safety reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	
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 paid	-	(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
For the six months ended 30 June 2018										
As at 1 January 2018	-	155,000	(64,894)	31,021	5,500	6,136	80,825	213,588	63,456	277,044
(Loss)/profit and total comprehensive income for the period	-	-	-	-	-	-	(858)	(858)	4,552	3,694
Appropriation to production safety reserve	-	-	-	-	-	549	(549)	-	-	-
Capitalisation issue (Note 18(b))	3,671	(3,671)	-	-	-	-	-	-	-	-
Shares issued pursuant to the initial public offering (Note 18(c))	1,224	102,788	-	-	-	-	-	104,012	-	104,012
Share issuance costs (Note 18(c))	-	(22,239)	-	-	-	-	-	(22,239)	-	(22,239)
As at 30 June 2018	4,895	231,878	(64,894)	31,021	5,500	6,685	79,418	294,503	68,008	362,511

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

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2019

(All Amounts Expressed In Rmb Unless Otherwise Stated)

	Six Months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Cash flow from operating activities</b>		
Cash generated from operations	13,605	8,982
Interest received	73	–
Income tax paid	(5,706)	(8,245)
<b>Net cash generated from operating activities</b>	<b>7,972</b>	737
<b>Cash flow from investing activities</b>		
Purchases of property, plant and equipment	(16,022)	(5,512)
Proceeds from disposal of property, plant and equipment	–	389
Purchases of intangible assets	(2)	(207)
Decrease in amount due from a related party	–	68,948
Increase in term deposits	(994)	–
<b>Net cash generated (used in)/from investing activities</b>	<b>(17,018)</b>	63,618
<b>Cash flows from financing activities</b>		
Proceeds from initial public offering of shares	–	104,012
Professional expenses paid in connection with initial public of shares	–	(13,903)
Proceeds from borrowings	40,000	–
Payment for lease liabilities (including interest)	(256)	–
Dividends paid to owners of the Company	(7,800)	–
Dividends paid to non-controlling interests of a subsidiary	(22,500)	–
<b>Net cash generated from financing activities</b>	<b>9,444</b>	90,109
<b>Net increase in cash and cash equivalents</b>	<b>398</b>	154,464
Cash and cash equivalents at beginning of the period	176,755	19,391
<b>Cash and cash equivalents at end of the period</b>	<b>177,153</b>	173,855

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019  
(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 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 29 August 2019 and has not been audited.

## 2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2019 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 2018 (“2018 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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 3(b) below. The other standards did not have any 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 2019

(All amounts expressed in RMB unless otherwise stated)

## 3 ACCOUNTING POLICIES (Continued)

### (b) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

### (i) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.96%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	2019 RMB'000 (Unaudited)
Operating lease commitments disclosed as at 31 December 2018 (Audited)	1,504
Discounted using the lessee's incremental borrowing rate at the date of initial application	1,277
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>1,277</b>
Of which are:	
Current lease liabilities	486
Non-current lease liabilities	791
	1,277

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019  
(All amounts expressed in RMB unless otherwise stated)

## 3 ACCOUNTING POLICIES (Continued)

### (b) Changes in accounting policies (Continued)

#### (i) Adjustments recognised on adoption of HKFRS 16 (Continued)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 RMB'000 (Unaudited)	1 January 2019 RMB'000 (Restated)
Properties	1,048	1,277
<b>Total right-of-use assets</b>	<b>1,048</b>	<b>1,277</b>

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increase by RMB1,277,000
- lease liabilities — increase by RMB1,277,000

There is no impact on retained earnings on 1 January 2019.

#### <1> Impact on disclosures and earnings per share

Profit before income tax for the six months ended 30 June 2019 decreased by RMB14,000, while assets and liabilities as at 30 June 2019 increased by RMB1,048,000 and RMB1,062,000 respectively as a result of the change in accounting policy.

There is no material impact for earnings per share for the six months ended 30 June 2019 as a result of the adoption of HKFRS 16.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

(All amounts expressed in RMB unless otherwise stated)

## 3 ACCOUNTING POLICIES *(Continued)*

### (b) Changes in accounting policies *(Continued)*

#### (i) **Adjustments recognised on adoption of HKFRS 16** *(Continued)*

<2> Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

#### (ii) **The Group's leasing activities and how these are accounted for**

The Group leases certain properties. Rental contracts are typically made for fixed periods of 3-10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019  
(All amounts expressed in RMB unless otherwise stated)

## 3 ACCOUNTING POLICIES *(Continued)*

### (b) Changes in accounting policies *(Continued)*

#### (ii) **The Group's leasing activities and how these are accounted for** *(Continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise staff dormitory and small items of office furniture.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

(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 2018 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 2018 Financial Statements.

There have been no changes in the risk management policies since year ended 31 December 2018.

### 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 amount due from a related party 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 2019  
(All amounts expressed in RMB unless otherwise stated)

## 6 SEGMENT INFORMATION

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 Group is principally engaged in the provision of bulk and general cargo uploading and unloading services and related ancillary value-added port services in the PRC. The executive directors of the Company review the operating results of the business on a terminal by terminal basis. Each terminal constitutes an operating segment. However, these terminals have been aggregated into one segment, taking into consideration of (i) the terminals have similar economic characteristics and regulatory environment; (ii) major revenue and operating profits are generated from the provision of uploading and unloading services; (iii) the Group as a whole, has unified internal organizational structure, management system and internal report system; and (iv) the Board allocates resources and evaluates performance of the operating segments in aggregation from Group consolidated level. Therefore, the executive directors of the Company regard that there is only one reportable segment which is used to make strategic decisions.

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 revenue from external customers is mainly attributable to the PRC for the six months ended 30 June 2019 and 2018. Revenue from major services provided to the external customers are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from provision of uploading and unloading services	37,229	39,486
Rental income	2,293	2,671
	39,522	42,157

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

(All amounts expressed in RMB unless otherwise stated)

## 6 SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A:	5,708	Not applicable*
Customer B:	Not applicable	5,476
Customer C:	4,083	Not applicable*

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

## 7 OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income from the provision of guarantee and pledging of assets as collaterals for certain banking facilities of a related party <i>(Note 23(b))</i>	–	699

## 8 OTHER (LOSSES)/GAINS — NET

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange (loss)/gain	(359)	439
Compensations paid for removal of fishing boats and factory nearby the Group's terminals	(1,810)	–
Gain on disposals of property, plant and equipment	–	268
Others	63	30
	(2,106)	737

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019  
(All amounts expressed in RMB unless otherwise stated)

## 9 EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Listing expenses	–	12,570
Employee benefit expenses	<b>10,367</b>	8,719
Depreciation of property, plant and equipment (Note 14)	<b>4,886</b>	4,127
Depreciation of right-of-use assets	<b>229</b>	–
Labour services fee	<b>2,257</b>	2,301
Repair and maintenance expenses	<b>688</b>	805
Amortization of prepaid operating leases (Note 13)	<b>795</b>	795
Fuel expenditures	<b>752</b>	731
Electricity and water	<b>593</b>	721
Business tax and other levies	<b>639</b>	550
Insurance costs	<b>224</b>	317
Transportation costs	<b>286</b>	292
Professional service expenses	<b>766</b>	–
Auditors' remuneration	–	276
Travelling expenses	<b>370</b>	239
Production safety expenses	<b>190</b>	199
Amortization of intangible assets (Note 15)	<b>184</b>	184
Office expenses	<b>186</b>	152
Operating lease rentals	–	121
Other expenses	<b>684</b>	680
Total cost of sales, selling and administrative expenses	<b>24,096</b>	33,779

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

(All amounts expressed in RMB unless otherwise stated)

## 10 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 2019 and 2018.

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 2019 and 2018.

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 2019 and 2018.

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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
PRC corporate income tax	4,119	6,099
Deferred income tax:		
PRC corporate income tax	–	21
	4,119	6,120

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019  
(All amounts expressed in RMB unless otherwise stated)

## 11 EARNINGS/(LOSSES) PER SHARE

### (a) Basic

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

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit/(loss) attributable to owners of the Company (RMB'000)	6,031	(858)
Weighted average number of ordinary shares in issue (thousands shares)	600,000	475,500
Basic earnings/(losses) per share (expressed in RMB)	0.010	(0.0018)

### (b) Diluted

Diluted earnings/(losses) per share presented is the same as the basic earnings/(losses) per share as there were no potentially dilutive ordinary shares issued during the six months ended 30 June 2019 and 2018.

## 12 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

## 13 PREPAID OPERATING LEASES

The Group's prepaid operating leases represent the payments for land located in Maoming, the PRC, with lease terms of 40-70 years, which are analysed as follows:

	As at	As at
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
At beginning of the period/year		
Cost	59,003	59,003
Accumulated amortization	(14,885)	(13,295)
Net book amount	44,118	45,708
Amortization during the period/year	(795)	(1,590)
Closing net book amount	43,323	44,118
At end of the period/year		
Cost	59,003	59,003
Accumulated amortization	(15,680)	(14,885)
Net book amount	43,323	44,118

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

(All amounts expressed in RMB unless otherwise stated)

## 14 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
<b>Six months ended 30 June 2019 (Unaudited)</b>									
Opening net book amount	11,658	74,731	27,014	5,403	458	424	292	28,862	148,842
Additions	-	267	14	-	52	-	45	14,938	15,316
Transfers	-	41,881	106	-	-	-	-	(41,987)	-
Depreciation charge	(345)	(2,845)	(1,406)	(155)	(106)	(27)	(2)	-	(4,886)
Closing net book amount	11,313	114,034	25,728	5,248	404	397	335	1,813	159,272
<b>At 30 June 2019 (Unaudited)</b>									
Cost	15,843	160,158	42,625	8,929	2,390	1,410	399	1,813	233,567
Accumulated depreciation	(4,530)	(46,124)	(16,897)	(3,681)	(1,986)	(1,013)	(64)	-	(74,295)
Net book amount	11,313	114,034	25,728	5,248	404	397	335	1,813	159,272
<b>At 1 January 2018</b>									
Cost	14,374	115,656	39,562	8,929	2,183	1,326	354	7,578	189,962
Accumulated depreciation	(3,518)	(38,856)	(12,939)	(3,216)	(1,661)	(883)	(60)	-	(61,133)
Net book amount	10,856	76,800	26,623	5,713	522	443	294	7,578	128,829
<b>Year ended 31 December 2018 (Audited)</b>									
Opening net book amount	10,856	76,800	26,623	5,713	522	443	294	7,578	128,829
Additions	711	504	1,119	-	155	206	-	25,716	28,411
Transfers	758	1,850	1,824	-	-	-	-	(4,432)	-
Disposals	-	-	-	-	-	(122)	-	-	(122)
Depreciation charge	(667)	(4,423)	(2,552)	(310)	(219)	(103)	(2)	-	(8,276)
Closing net book amount	11,658	74,731	27,014	5,403	458	424	292	28,862	148,842
<b>At 31 December 2018 (Audited)</b>									
Cost	15,843	118,010	42,505	8,929	2,338	1,410	354	28,862	218,251
Accumulated depreciation	(4,185)	(43,279)	(15,491)	(3,526)	(1,880)	(986)	(62)	-	(69,409)
Net book amount	11,658	74,731	27,014	5,403	458	424	292	28,862	148,842

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019  
(All amounts expressed in RMB unless otherwise stated)

## 15 INTANGIBLE ASSETS

	Sea area use rights RMB'000	Computer software RMB'000	Total RMB'000
<b>Six months ended 30 June 2019 (Unaudited)</b>			
Opening net book amount	9,420	247	9,667
Additions	–	2	2
Amortization charge	(146)	(38)	(184)
Closing net book amount	9,274	211	9,485
<b>At 30 June 2019 (Unaudited)</b>			
Cost	12,271	441	12,712
Accumulated amortization	(2,997)	(230)	(3,227)
Net book amount	9,274	211	9,485
<b>Year ended 31 December 2018 (Audited)</b>			
Opening net book amount	9,703	109	9,812
Additions	–	208	208
Amortization charge	(283)	(70)	(353)
Closing net book amount	9,420	247	9,667
<b>At 31 December 2018 (Audited)</b>			
Cost	12,271	439	12,710
Accumulated amortization	(2,851)	(192)	(3,043)
Net book amount	9,420	247	9,667



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

(All amounts expressed in RMB unless otherwise stated)

## 16 TRADE AND OTHER RECEIVABLES AND AMOUNT DUE FROM A RELATED PARTY

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
Trade receivables	11,371	8,998
Less: allowance for impairment of trade receivables	—	—
Trade receivables — net	11,371	8,998
VAT recoverable	3,212	2,660
Note receivables — third parties	1,480	1,877
Other receivables — third parties	759	619
	<b>16,822</b>	14,154
Amount due from a related party (Note 23(d))	<b>2,479</b>	149

- (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:

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
Less than 30 days	5,482	5,403
31 to 60 days	3,868	835
61 to 90 days	740	1,490
91 to 180 days	1,281	1,270
	<b>11,371</b>	8,998

- (b) The Group's trade and other receivables and amount due from a related party at respective balance sheet dates are denominated in RMB.
- (c) As at 30 June 2019 and 31 December 2018, the fair values of trade and other receivables and amount due from 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 2019  
(All amounts expressed in RMB unless otherwise stated)

## 17 PREPAYMENTS AND OTHER ASSETS

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
Prepayments for electricity and other expenses	684	1,276
Prepayments for construction and acquisition of property, plant and equipment	3,335	105
	<b>4,019</b>	1,381
Less: non-current portion of prepayments	<b>(3,335)</b>	(105)
Current portion of prepayments and other assets	<b>684</b>	1,276

## 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	
Authorized shares of HK\$0.01 each:				
As at 27 July 2015 and 31 December 2017	38,000,000	380	300	
Increase in authorized share capital (Note (a))	3,962,000,000	39,620	32,186	
As at 30 June 2019 and 31 December 2018	4,000,000,000	40,000	32,486	
Issued and fully paid up: As at 1 January 2017 and 31 December 2017 (Audited)	100	–	–	–
Capital paid up by the owners of the Company at 1 January 2017 and 31 December 2017 (Audited)	–	–	–	155,000
Capitalisation issue (Note (b))	449,999,900	4,500	3,671	(3,671)
Issue of new shares pursuant to the initial public offering (Note (c))	150,000,000	1,500	1,224	102,788
Share issuance costs (Note (c))	–	–	–	(22,239)
As at 31 December 2018 (Audited)	600,000,000	6,000	4,895	231,878
Final Dividend for 2018	–	–	–	(7,800)
As at 30 June 2019 (Unaudited)	600,000,000	6,000	4,895	224,078

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

(All amounts expressed in RMB unless otherwise stated)

## 18 SHARE CAPITAL AND SHARE PREMIUM (Continued)

- (a) Pursuant to the shareholders' resolutions passed on 10 May 2018, the authorized share capital of the Company was increased from HK\$380,000 to HK\$40,000,000 by creation of an additional 3,962,000,000 ordinary shares of a par value of HK\$0.01 each, ranking pari passu in all respect with the existing shares of the Company.
- (b) 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 capitalisation of the sum of HK\$4,500,000 standing to the credit of the share premium account of the Company.
- (c) 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 total consideration of RMB104,012,000 in aggregate (without deducting share issuance costs) on 1 June 2018. Share issuance costs of RMB22,239,000 that were directly attributable to the issuance of ordinary shares in connection with the initial public offering were treated as a deduction from share premium.

## 19 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Accrual for construction of Zhengyuan Terminal and acquisition of property and equipment	8,806	6,282
Accrual for staff costs and allowances	2,881	5,074
Other payables and accruals	5,739	5,068
Other tax payables	1,235	839
<b>Total</b>	<b>18,661</b>	<b>17,263</b>

As at 30 June 2019 and 31 December 2018, the fair values of other payables and accruals 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 2019  
(All amounts expressed in RMB unless otherwise stated)

## 20 SHORT-TERM BORROWINGS

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
Secured short-term bank borrowings	<b>40,000</b>	–

As at 30 June 2019, short-term bank borrowings of RMB40,000,000 (as at 31 December 2018: Nil) of the Group are secured by the pledge of certain land use rights and property, plant and equipment and sea area use rights of the Group.

## 21 CONTINGENCIES

As at 30 June 2019, the Group had certain pledged assets including certain land use rights with carrying amount of RMB25,976,000, property, plant and equipment with carrying amount of RMB97,979,000 and sea area use rights with carrying amount of RMB6,890,000. (As at 31 December 2018: Nil).

## 22 COMMITMENTS

### (a) Capital commitments

As at 30 June 2019 and 31 December 2018, the Group had the following capital commitments on acquisition of property, plant and equipment:

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	As at 31 December 2018 RMB'000 (Audited)
Contracted but not provided for	<b>8,781</b>	9,075
Authorized but not contracted for	<b>12,586</b>	26,960
	<b>21,367</b>	36,035

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

(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
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) Other than those related party transactions disclosed in elsewhere, during six months ended 30 June 2019 and 2018, the Group had the following other significant transactions with related parties:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income from provision of guarantee and pledging of assets as collaterals for certain banking facilities of Maoming Tianyuan	-	699

During the six months ended 30 June 2018, the Group pledged certain land use rights, property, plant and equipment and intangible assets as collaterals. In return, the Controlling Shareholder agreed to pay a compensation for the provision of guarantee and pledging of assets of RMB699,000 to the Group for the six months ended 30 June 2018. All the pledges were released during the period ended 30 June 2018.

In the opinion of the Directors, these transactions were carried out on terms agreed with the related parties in the ordinary course of business of the Group.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019  
(All amounts expressed in RMB unless otherwise stated)

## 23 RELATED PARTY TRANSACTIONS (Continued)

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

- (ii) The Controlling Shareholder as the landlord offered the Registered Office of the Company's subsidiary to the Group for office usage without charges before the listing of the Company and thereafter commenced to receive a monthly rent of HK\$40,000 till December 2020.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Lease payment/rental expenses	207	34

- (iii) Provision of uploading and unloading services with a related party

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from provision of uploading and unloading services to Tianyuan Petrochemical	3,536	–

### (c) Key management compensations

Compensations for key management other than those for directors and supervisors during the period were as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	769	565
Contributions to pension plans	22	22
Welfare, medical and other expenses	4	3
	795	590

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

(All amounts expressed in RMB unless otherwise stated)

## 23 RELATED PARTY TRANSACTIONS *(Continued)*

### (d) Balance with a related party

	<b>As at 30 June 2019 RMB'000 (Unaudited)</b>	<b>As at 31 December 2018 RMB'000 (Audited)</b>
Amount due from a related party		
— Tianyuan Petrochemical	<b>2,479</b>	149

## 24 EVENTS AFTER THE BALANCE SHEET DATE

Save as to (i) the entering of a framework agreement in relation to supply of liquefied natural gas as disclosed in the announcement of the Company dated 29 July 2019; and (ii) the engagement in trading of oil related goods and products, from 30 June 2019 to the date of this interim report, there is no important event affecting the Group.