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TIAN YUAN GROUP HOLDINGS LIMITED

天源集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6119)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2022 decreased by approximately 33.5% or approximately RMB66.6 million to approximately RMB132.2 million compared to approximately RMB198.8 million for the corresponding period in 2021.
- Gross profit for the six months ended 30 June 2022 increased by approximately 10.3% or approximately RMB3.0 million to approximately RMB32.0 million compared to approximately RMB29.0 million for the corresponding period in 2021.
- Profit attributable to owners of the Company for the six months ended 30 June 2022 increased by approximately 10.9% or approximately RMB1.0 million to approximately RMB10.6 million compared to approximately RMB9.6 million for the corresponding period in 2021.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Tian Yuan Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (together referred to as the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2021 (the “**Corresponding Period**”).

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

(All amounts expressed in RMB unless otherwise stated)

		Six months ended 30 June	
		2022	2021
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	132,244	198,759
Cost of sales		(100,269)	(169,777)
Gross profit		31,975	28,982
Other (losses)/gains — net	5	(569)	612
Selling and administrative expenses		(7,480)	(7,386)
Operating Profit		23,926	22,208
Finance costs — net	6	(219)	(1,762)
Finance income		4	6
Finance costs		(223)	(1,768)
Share of results of a joint venture		(745)	(990)
Profit before income tax		22,962	19,456
Income tax expense	7	(7,479)	(5,931)
Profit for the period		15,483	13,525
Other comprehensive income for the period		—	—
Total comprehensive income for the period		15,483	13,525
Profit and total comprehensive income attributable to:			
Owners of the Company		10,590	9,551
Non-controlling interests		4,893	3,974
		15,483	13,525
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	8	0.018	0.016

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

(All amounts expressed in RMB unless otherwise stated)

	As at 30 June 2022	As at 31 December 2021
Note	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Assets		
Non-current assets		
Property, plant and equipment	156,533	157,897
Right-of-use assets	47,890	48,955
Intangible assets	168	167
Investment in a joint venture	10,220	10,965
Prepayments	1,303	1,410
Deferred income tax assets	8	8
	<u>216,122</u>	<u>219,402</u>
Current assets		
Trade and other receivables and amounts due from related parties	10 19,499	15,381
Inventories	36,357	—
Prepayments and other assets	903	803
Restricted cash	1,130	1,130
Term deposits	3,001	801
Cash and cash equivalents	95,868	145,998
	<u>156,758</u>	<u>164,113</u>
Total assets	<u><u>372,880</u></u>	<u><u>383,515</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	4,895	4,895
Share premium	163,478	184,478
Other reserves	(13,104)	(20,005)
Retained earnings	136,109	132,420
	<u>291,378</u>	<u>301,788</u>
Non-controlling interests	<u>56,636</u>	<u>51,743</u>
Total equity	<u><u>348,014</u></u>	<u><u>353,531</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)*As at 30 June 2022**(All amounts expressed in RMB unless otherwise stated)*

		As at 30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		362	555
Deferred income tax liabilities		271	271
		<u>633</u>	<u>826</u>
Current liabilities			
Trade and other payables and accruals	<i>11</i>	9,140	12,109
Borrowings		5,700	5,700
Contract liabilities		832	1,393
Current income tax liabilities		7,021	7,279
Lease liabilities		380	367
Deferred income tax liabilities		1,160	2,310
		<u>24,233</u>	<u>29,158</u>
Total liabilities		<u>24,866</u>	<u>29,984</u>
Total equity and liabilities		<u><u>372,880</u></u>	<u><u>383,515</u></u>

NOTES

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 27 July 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company is an investment holding company and its subsidiaries are principally engaged in provision of bulk and general cargo uploading and unloading services, supply and sales of oil products and related ancillary value-added port services in The People's Republic of China ("PRC"). The ultimate controlling shareholder of the Group is Mr. Yang Jinming.

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

This interim condensed consolidated financial information (the "Interim Financial Information") is presented in RMB, unless otherwise stated. The Interim Financial Information was approved for issue by the Board of Directors on 30 August 2022 and has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2022 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 2021, 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 2021, 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 2022:

- | | |
|--|--|
| • Amendments to HKFRS 16 | COVID-19-related Rent Concessions beyond June 30, 2021 |
| • Annual Improvements Project | Annual Improvements to HKFRS Standards 2018–2020 |
| • Amendments to HKFRS 3, HKAS 16 and HKAS 37 | Narrow-scope Amendments |
| • Accounting guideline 5 (revised) | Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations |

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3 ACCOUNTING POLICIES (Continued)

(b) New standards and interpretations not yet adopted

New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
HKFRS 17	Insurance Contract (new standard and amendments)	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	January 1, 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single Transaction Tax	January 1, 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

4 SEGMENT INFORMATION AND REVENUE

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The CODM identified two reportable segments as follows:

Cargo handling and ancillary services: provision of uploading and unloading services and related ancillary value-added port services;

Sales of oil products: supply and sales of oil products.

Inter-segment transactions are carried out at arm’s length.

No geographical information is presented as all the revenue and operating profits of the Group are derived in the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risk and returns.

4 SEGMENT INFORMATION AND REVENUE (Continued)

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from provision of uploading and unloading services	49,597	42,091
Revenue from sales of goods	81,926	155,947
Rental income	721	721
	<u>132,244</u>	<u>198,759</u>
Revenue recognised under HKFRS 15 — over time	50,318	42,812
Revenue recognised under HKFRS 15 — at a point in time	81,926	155,947
	<u>132,244</u>	<u>198,759</u>

Rental income are recognised proportionately over the lease term.

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A:	50,451	155,947
Customer B:	31,475	—

5 OTHER (LOSSES)/GAINS — NET

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net foreign exchange (loss)/gain	(988)	273
Others	419	339
	<u>(569)</u>	<u>612</u>

6 FINANCE COSTS — NET

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance costs		
— Interest expenses for bank borrowings	(193)	(1,725)
— Interest expenses for lease liabilities	(30)	(43)
	<u>(223)</u>	<u>(1,768)</u>
Finance income		
— Interest income on bank deposits	4	6
Finance costs — net	<u>(219)</u>	<u>(1,762)</u>

7 INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax was provided as the group entities did not have assessable profits in Hong Kong during the six months ended 30 June 2022 and 2021.

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 2022 and 2021.

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 2022 and 2021.

7 INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
PRC corporate income tax	7,479	5,931
Deferred income tax:		
PRC corporate income tax	—	—
	<u>7,479</u>	<u>5,931</u>

8 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	10,590	9,551
Weighted average number of ordinary shares in issue (thousands shares)	<u>600,000</u>	<u>600,000</u>
Basic earnings per share (expressed in RMB)	<u>0.018</u>	<u>0.016</u>

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the six months ended 30 June 2022 and 2021.

9 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

10 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM RELATED PARTIES

	As at 30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
Trade receivables	9,802	8,273
Less: allowance for impairment of trade receivables	—	—
Trade receivables — net	<u>9,802</u>	<u>8,273</u>
Note receivables — third parties	1,730	4,100
Other receivables — third parties	296	318
VAT recoverable	<u>4,089</u>	<u>36</u>
	<u>15,917</u>	<u>12,727</u>
Amounts due from related parties		
— Trade	1,829	1,386
— Non-trade	<u>1,753</u>	<u>1,268</u>
	<u>3,582</u>	<u>2,654</u>

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

	As at 30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
Less than 30 days	8,642	7,394
31 to 60 days	799	480
61 to 90 days	356	194
91 to 180 days	5	—
181 to 365 days	—	205
	<u>9,802</u>	<u>8,273</u>

- (b) The Group's trade and other receivables and amounts due from related parties at respective balance sheet dates are denominated in RMB and HK\$.
- (c) As at 30 June 2022 and 31 December 2021, the fair values of trade and other receivables and amounts due from related parties approximate their carrying amounts due to their short-term maturities.

11 TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
Accrual for staff costs and allowances	3,343	5,807
Other payables and accruals	3,428	4,252
Other tax payables	<u>2,369</u>	<u>2,050</u>
Total	<u><u>9,140</u></u>	<u><u>12,109</u></u>

- (a) The Group's trade and other payables and accruals at respective balance sheet dates are denominated in RMB and HK\$.
- (b) As at 30 June 2022 and 31 December 2021, the fair values of trade and other payables and accruals approximate their carrying amounts due to their short-term maturities.

12 EVENTS AFTER THE BALANCE SHEET DATE

From 30 June 2022 to the date of this announcement, there is no important event affecting the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Our principal activities include:

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

During the six months ended 30 June 2022, the Group achieved a total cargo throughput of approximately 2,361 thousand tonnes, representing an increase of approximately 330 thousand tonnes or approximately 16.2% from approximately 2,031 thousand tonnes for the Corresponding Period. The increase was mainly due to higher throughputs of coal, oil products and grains recorded for the six months ended 30 June 2022 compared to the Corresponding Period. Those higher throughputs were mainly due to an increase in demand.

The average selling price of the cargo handling fees of the Group recorded for the six months ended 30 June 2022 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.

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

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the revenue was approximately RMB132.2 million, representing a decrease of approximately 33.5% compared to the Corresponding Period. The decrease in revenue was mainly attributable to a decrease in revenue of approximately RMB74.0 million generated from sales of oil products for the Reporting Period, which was mainly due to a decrease in demand.

	Six months ended		Changes	%
	30 June			
	2022	2021		
	RMB'000	RMB'000	RMB'000	
Revenue from provision of uploading and unloading services	49,597	42,091	7,506	17.8
Revenue from sales of oil products	81,926	155,947	(74,021)	(47.5)
Rental income	721	721	—	—
Total	<u>132,244</u>	<u>198,759</u>	<u>66,515</u>	(33.5)

For the six months ended 30 June 2022, our revenue from uploading and unloading services increased by approximately 17.8% compared to the Corresponding Period to approximately RMB49.6 million. The increase was mainly due to an increase in total throughput as demand for certain major cargos types increased.

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

Due to a decrease in demand, our revenue from sales of oil products for the six months ended 30 June 2022 decreased by approximately 47.5% compared to the Corresponding Period to approximately RMB81.9 million. The decrease in demand may be mainly due to fluctuation of oil products prices.

Cost of Sales

Our cost of sales decreased by approximately 40.9% from approximately RMB169.8 million for the six months ended 30 June 2021 to approximately RMB100.3 million for the six months ended 30 June 2022. This was primarily attributable to the cost of goods sold of approximately RMB77.7 million recorded for the sales of oil products during the Reporting Period (for the six months ended 30 June 2021: approximately RMB149.8 million).

Gross Profit and Gross Profit Margin

The Group's overall gross profit increased by approximately 10.3% from approximately RMB29.0 million for the six months ended 30 June 2021 to approximately RMB32.0 million for the six months ended 30 June 2022.

The increase in gross profit was mainly due to an increase in gross profit of the cargo handling and ancillary services segment as its revenue increased as mentioned above.

The overall gross profit margin increased from approximately 14.6% for the six months ended 30 June 2021 to approximately 24.2% for the six months ended 30 June 2022.

The gross profit margin of the cargo handling and ancillary services segment was approximately 55.1% for the six months ended 30 June 2022 compared to approximately 53.3% for the Corresponding Period. The increase was driven by an increase in revenue.

The gross profit margin of the sales of oil products segment was approximately 5.2% for the six months ended 30 June 2022 compared to approximately 3.9% for the Corresponding Period. The increase was mainly due to an increase in selling price.

Other (Losses)/Gains — Net

For the six months ended 30 June 2022, other losses — net of approximately RMB569,000 (for the six months ended 30 June 2021: other gains — net approximately RMB612,000) consisted mainly of net foreign exchange loss and others.

Selling and Administrative Expenses

Selling and administrative expenses increased from approximately RMB7.4 million for the six months ended 30 June 2021 to approximately RMB7.5 million for the six months ended 30 June 2022.

Finance Costs — Net

For the six months ended 30 June 2022, the Group's net finance costs of approximately RMB219,000 consisted mainly of interest expenses for bank borrowings and lease liabilities (for the six months ended 30 June 2021: approximately RMB1.8 million). The decrease was primarily attributable to a decrease in bank borrowings.

Share of Results of a Joint Venture

The Group recorded a share of loss of a joint venture of approximately RMB745,000 for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB990,000).

Income Tax Expense

The Group's income tax expense increased by approximately 26.1% from approximately RMB5.9 million for the six months ended 30 June 2021 to approximately RMB7.5 million for the six months ended 30 June 2022. The increase was primarily attributable to a higher 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 2022, the Group's profit attributable to owners of the Company was approximately RMB10.6 million (for the six months ended 30 June 2021: approximately RMB9.6 million).

The increase in the profit attributable to owners of the Company was mainly due to an increase in gross profit margin of the cargo handling and ancillary services segment as mentioned above and a decrease in net finance costs.

Liquidity and Financial Resources

Net Current Assets

The Group recorded net current assets of approximately RMB132.5 million as at 30 June 2022, while the net current assets as at 31 December 2021 was approximately RMB135.0 million.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings were approximately RMB5.7 million as at 30 June 2022 (as at 31 December 2021: approximately RMB5.7 million). The interest-bearing borrowings are expected to facilitate the development of the Group's trade businesses. The Group's interest-bearing borrowings were mainly denominated in RMB. The Group's interest-bearing borrowings of approximately RMB5.7 million were repayable within 1 year. The gearing ratio (defined as total debt divided by total equity) was approximately 1.9% as at 30 June 2022 (as at 31 December 2021: approximately 1.9%).

Treasury Policy

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

Capital Structure

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

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

Save for disclosed in the annual report for the year ended 31 December 2021, 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 2022 (for the six months ended 30 June 2021: Same).

Pledge of Assets and Contingent Liabilities

As at 30 June 2022, 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 RMB39.9 million as collateral for certain banking facilities of the Group granted by a PRC bank (as at 31 December 2021: approximately RMB41.3 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, amounts due from related parties and other payables maintained in Hong Kong dollars.

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

Human Resources and Remuneration

As at 30 June 2022, the Group employed 239 employees (as at 30 June 2021: 238 employees) with total staff costs of approximately RMB13.4 million incurred for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately RMB11.7 million). The increase was mainly due to an increase in payments of employees incentives including performance bonus and other subsidies in the Reporting Period compared to that for the Corresponding Period. The Group's remuneration packages are generally structured with reference to market terms and individual merits.

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

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

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

Future Plans for Material Investments or Capital Assets

Save for the business plan disclosed in this announcement, there was no other plan for material investments or capital assets as at 30 June 2022.

Capital Commitments

As at 30 June 2022, the Group had capital commitments for acquisition of property, plant and equipment amounting to approximately RMB87,000 (as at 31 December 2021: approximately Nil).

Outlook and Prospects

In the second half of the year, the global economy is expected to face downside risks arising from the impact of numerous factors including inflation, interest rate hike, geopolitics and etc. With the domestic COVID-19 pandemic under effective control and further implementation of policies to stabilise and stimulate the economy, China’s economy is expected to maintain the momentum of rebound and overall perform in a reasonably good range.

For the cargo handling and ancillary services, the Group will continue to broaden the cargo sources, deepen the customers relationship and improve the operational efficiency and profitability. Meanwhile, we will maintain and enhance our standards in production safety, environmental protection, service quality control, good hygienic environment and risk management measures.

In respect of the sales of oil products, the Group will strive to expand sales, enhance marketing strategies and customer services, improve inventory management and develop the market steadily.

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 2022 and up to 30 June 2022, except for:

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

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company throughout the six months ended 30 June 2022.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, each of them confirmed that he/she has complied in full with the Model Code for the six months ended 30 June 2022.

Important Events after the Reporting Period

There is no important event subsequent to 30 June 2022 and up to the date of this announcement.

Audit Committee and Review of Interim Results

The Company has an Audit Committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and provision D.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Mr. Pang Hon Chung (as chairman), Professor Wu Jinwen and Mr. Huang Yaohui. The Audit Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2022 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 2022 with the Company's management and this announcement. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

Publication of Interim Results and Interim Report

This interim results announcement is published on the Company's website at www.tianyuangrouholdings.com and the Stock Exchange's website at www.hkexnews.hk. The 2022 Interim Report will be despatched to the shareholders of the Company in due course and will be available on the above websites.

Appreciation

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as the shareholders of the Company, business partners and other professional parties for their continuous support to the Group throughout the Reporting Period.

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

Hong Kong, 30 August 2022

As at the date of this announcement, the executive Directors are Mr Yang Jinming, Ms Tong Wai Man and Mr Su Baihan, the non-executive Director is Mr Yang Fan, and the independent non-executive Directors are Mr Pang Hon Chung, Professor Wu Jinwen and Mr Huang Yaohui.