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 2018

FINANCIAL HIGHTLIGHTS

- The Shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1 June 2018 by way of placing and public offer. The Company issued 150 million shares and raised total net proceeds of approximately HK$49.9 million (equivalent to approximately RMB40.7 million) (after deducting underwriting fees and commissions and other related expenses in connection with the Listing).

- Revenue for the six months ended 30 June 2018 increased by approximately 12.3% or approximately RMB4.7 million to approximately RMB42.2 million compared to approximately RMB37.5 million for the corresponding period in 2017.

- Gross profit for the six months ended 30 June 2018 increased by approximately 15.0% or approximately RMB3.5 million to approximately RMB26.6 million compared to approximately RMB23.1 million for the corresponding period in 2017.

- Loss attributable to owners of the Company for the six months ended 30 June 2018 was approximately RMB858,000 compared to the profit attributable to owners of the Company of approximately RMB9.7 million for the corresponding period in 2017.

- Profit attributable to owners of the Company excluding one-off listing expenses for the six months ended 30 June 2018 decreased by approximately 0.4% or approximately RMB45,000 to approximately RMB11.7 million compared to the corresponding period in 2017.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 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 2018 (the "Reporting Period") together with the comparative unaudited figures for the corresponding period in 2017. Such information should be read in conjunction with the prospectus of the Company dated 18 May 2018 (the "Prospectus") in respect of the listing (the "Listing") of shares (the "Shares") of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 1 June 2018 (the "Listing Date").

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	Note	**2018**	**2017**
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	4	42,157	37,523
Cost of sales	7	(15,557)	(14,386)
Gross profit		26,600	23,137
Other income	5	699	1,562
Other gains - net	6	737	42
Selling and administrative expenses	7	(18,222)	(6,369)
Profit before income tax		9,814	18,372
Income tax expense	8	(6,120)	(5,577)
Profit for the period		3,694	12,795
Other comprehensive income for the period		—	—
Total comprehensive income for the period		3,694	12,795
(Loss)/profit and total comprehensive income attributable to:			
Owners of the Company		(858)	9,713
Non-controlling interests		4,552	3,082
		3,694	12,795
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	9	(0.0018)	0.0216

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2018 *RMB'000* *(Unaudited)*	As at 31 December 2017 *RMB'000* *(Audited)*
Assets			
Non-current assets			
Property, plant and equipment		131,737	128,829
Prepaid operating leases		44,913	45,708
Intangible assets		9,835	9,812
Prepayment		966	3,300
Deferred income tax assets		—	21
		187,451	187,670
Current assets			
Trade and other receivables	11	15,847	16,974
Amount due from a related party	11	—	68,948
Prepayments and other assets		1,172	9,313
Cash and cash equivalents		173,855	19,391
		190,874	114,626
Total assets		378,325	302,296
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,895	—
Share premium		231,878	155,000
Other reserves		(21,688)	(22,237)
Retained earnings		79,418	80,825
		294,503	213,588
Non-controlling interests		68,008	63,456
Total equity		362,511	277,044

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**As at 30 June 2018** *RMB'000* *(Unaudited)*	**As at 31 December 2017** *RMB'000* *(Audited)*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		308	308
		308	308
Current liabilities			
Other payables and accruals	12	8,968	15,824
Advances from customers		—	1,930
Contract liabilities		1,494	—
Current income tax liabilities		5,044	7,190
		15,506	24,944
Total liabilities		15,814	25,252
Total equity and liabilities		378,325	302,296

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 Clifton House, 75 Fort Street, 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 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 (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 30 August 2018 and has not been audited.

2 Basis of preparation

This Interim Financial Information for the six months ended 30 June 2018 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 2017("2017 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, as set out in the prospectus of the Company dated 18 May 2018.

3 Accounting policies

The accounting policies applied are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017, as described in those financial statements set out in the prospectus, except for the adoption of amendments to HKFRSs effective for the financial year beginning 1 January 2018.

3 **Accounting policies (Continued)**

(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 the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 3(c) below.

The following amendments to existing standards are effective to the Group for accounting periods beginning on or after 1 January 2018 but did not result in any significant impact on the results and financial position of the Group. No retrospective adjustments are required.

HKAS 40(Amendment)	Transfers of investment property
HKFRS 2(Amendment)	Classification and measurement of share-based payment transactions
HKFRS 4(Amendment)	Insurance contracts "Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts"
Annual Improvements Project	Annual Improvements to HKFRSs 2014-2016 cycle
HKAS 28(Amendment)	Investments in associates and joint ventures
HK (IFRIC) 22	Foreign currency transactions and advance consideration

(b) **Impact of standards issued but not yet applied by the entity**

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

3 **Accounting policies (Continued)**

(b) **Impact of standards issued but not yet applied by the entity (Continued)**

(i) HKFRS 16 Leases (Continued)

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB1,773,000. However, the Directors do not expect the adoption of HKFRS 16 would result in significant impact on the Group's financial performance and positions except for the recognition of the right-of-use assets and corresponding lease liabilities arising from accounting for operating leases by the Group as a lessee.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

(c) **Changes in accounting policies**

The following explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(i) Impact on financial information

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated.

3 **Accounting policies (Continued)**

(c) **Changes in accounting policies (Continued)**

(i) Impact on financial information (Continued)

The following table shows the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	Audited 31 December 2017 As originally presented	Unaudited HKFRS 15	1 January 2018 Restated
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Advances from customers	1,930	(1,930)	—
Contract liabilities	—	1,930	1,930

(ii) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

There is no significant impact on the classification and measurement of its financial assets as the Group does not have:

- Debt instruments that are classified as available-for-sale financial assets;

- Debt instruments classified as held-to-maturity and measured at amortized cost;

- Equity investment measured at fair value through profit or loss.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities, which are subject to HKFRS 9.

3 **Accounting policies (Continued)**

(c) **Changes in accounting policies (Continued)**

(ii) HKFRS 9 Financial Instruments — Impact of adoption (Continued)

The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The Group has trade receivables that are subject to HKFRS 9's new expected credit loss model, and the Group revised its impairment methodology under HKFRS 9 for these receivables.

Based on the assessments undertaken, the Group does not identify material change to the loss allowance for trade debtors.

While cash and cash equivalents and other receivables are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

(iii) HKFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3 **Accounting policies (Continued)**

(c) **Changes in accounting policies (Continued)**

(iii) HKFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018 (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(iv) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Hong Kong Institute of Certified Public Accountants has issued a new standard for the recognition of revenue. This will replace HKAS 18, which covers contracts for goods and services, and HKAS 11, which covers construction contracts and related literature.

The new standards is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated.

3 **Accounting policies (Continued)**

(c) **Changes in accounting policies (Continued)**

(iv) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption (Continued)

Other than certain reclassification of contract liabilities as detailed in Note 3(c)(i), the adoption of HKFRS 15 did not result in any impact to the financial information, as the timing of revenue recognition on sales is not changed.

(v) HKFRS 15 Revenue from Contracts with Customers — Accounting policies applied from 1 January 2018

The Directors of the Group consider that there is no significant change to the Group's exisiting revenue recognition policy.

4 **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.

4 **Segment information (Continued)**

The revenue from external customers is mainly attributable to the PRC for the six months ended 30 June 2018 and 2017. Revenue from major services provided to the external customers are as follows:

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue from provision of uploading and unloading services	39,486	36,033
Rental income	2,671	1,490
	42,157	37,523

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

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Customer A:	Not applicable*	3,779
Customer B:	5,476	Not applicable*

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

5 Other income

	Six months ended 30 June	
	2018	**2017**
	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	699	1,562

6 Other gains - net

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net foreign exchange gain	439	—
Gain on disposals of property, plant and equipment	268	—
Others	30	42
	737	42

7 Expenses by nature

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Listing expenses	12,570	2,044
Employee benefit expenses	8,719	7,248
Depreciation of property, plant and equipment	4,127	3,931
Labour services fee	2,301	2,229
Repair and maintenance expenses	805	673
Amortization of prepaid operating leases	795	795
Fuel expenditures	731	778
Electricity and water	721	695
Business tax and other levies	550	463
Insurance costs	317	130
Transportation costs	292	222
Auditors' remuneration	276	63
Travelling expenses	239	317
Production safety expenses	199	388
Amortization of intangible assets	184	164
Office expenses	152	249
Operating lease rentals	121	49
Other expenses	680	317
Total cost of sales, selling and administrative expenses	33,779	20,755

8 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.

8 Income tax expense (Continued)

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 2018 and 2017.

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 2018 and 2017.

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 2018 and 2017.

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	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax:		
PRC corporate income tax	6,099	5,577
Deferred income tax:		
PRC corporate income tax	21	—
	6,120	5,577

9 **(Losses)/earnings per share**

(a) Basic

The basic (losses)/earnings per share is calculated on the (loss)/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	
	2018	**2017**
	(Unaudited)	*(Unaudited)*
(Loss)/profit attributable to owners of the Company (RMB'000)	(858)	9,713
Weighted average number of ordinary shares in issue (thousands shares)	475,500	450,000
Basic (losses)/earnings per share (expressed in RMB)	(0.0018)	0.0216

(b) Diluted

Diluted (losses)/earnings per share presented is the same as the basic (losses)/earnings per share as there were no potentially dilutive ordinary shares issued during the six months ended 30 June 2018 and 2017.

10 **Dividends**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

11 **Trade and other receivables and amount due from a related party**

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade receivables	9,556	7,070
Less: allowance for impairment of trade receivables	—	—
Trade receivables — net	9,556	7,070
Notes receivables — third parties	4,468	9,050
VAT recoverable	782	243
Other receivables — third parties	1,041	611
	15,847	16,974
Amount due from a related party	—	68,948

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

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Less than 30 days	8,869	6,227
31 to 60 days	687	843
	9,556	7,070

(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 2018 and 31 December 2017, 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.

12 Other payables and accruals

	As at 30 June 2018 *RMB'000* *(Unaudited)*	As at 31 December 2017 *RMB'000* *(Audited)*
Accrual for staff costs and allowances	3,269	3,873
Other payables and accruals	3,834	4,498
Accrual for listing expenses	1,000	6,796
Other tax payables	865	657
Total	8,968	15,824

As at 30 June 2018 and 31 December 2017, the fair values of other payables and accruals approximate their carrying amounts due to their short-term maturities.

13 Events after the balance sheet date

From 30 June 2018 to the date of this announcement, there are no important events 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 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 2018, we mainly handled bulk cargo such as coal, quartz sand, oil products, grains, asphalt and kaolinite as well as a small of 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.

During the six months ended 30 June 2018, the Group achieved a total cargo throughput of approximately 2,105 thousand tonnes, representing an increase of approximately 56 thousand tonnes or approximately 2.7% from approximately 2,049 thousand tonnes for the corresponding period in 2017. The increase was mainly due to higher throughput of oil products and asphalt achieved for the six months ended 30 June 2018 compared to the corresponding period in 2017. Higher throughput of oil products and asphalt mainly reflected an increase in demand and increase in operational efficiency achieved by deploying new equipment for handling oil products. The unit selling price of cargo handling fees of oil products and asphalt were also raised during the Reporting Period.

The increase in the overall throughput of the Group was partially offset by the decrease in the throughput of quartz sand and kaolinite. The decrease in the throughput of quartz sand and kaolinite mainly reflected decrease in demand, which was partially affected by local policies on mineral resources integration. The throughput of the Group's other major cargos were not significantly fluctuated during the six months ended 30 June 2018 compared to the corresponding period in 2017.

With the throughput and unit selling price of cargo handling fees for oil products and asphalt increased, higher average selling price of the cargo handling fees of the Group was recorded for the six months ended 30 June 2018 compared to the corresponding period in 2017.

During the six months ended 30 June 2018, the Group has continued to strengthen the relationship with its existing key customers and further widen its customers base by increasing over 20 new customers.

In line with the disclosure in the Prospectus, the construction of the new phase of Zhengyuan Terminal is in progress and expected to be completed in the fourth quarter of 2018.

Financial Review

Revenue

For the six months ended 30 June 2018, the revenue was approximately RMB42.2 million, representing an increase of approximately 12.3% compared to the corresponding period in 2017. The increase in revenue was primarily due to an increase in revenue from uploading and unloading services and rental income.

	Six months ended 30 June		Changes	
	2018	**2017**		
	RMB'000	*RMB'000*	*RMB'000*	%
Revenue				
Revenue from uploading and unloading services	39,486	36,033	3,453	9.6%
Rental income	2,671	1,490	1,181	79.3%
Total	**42,157**	**37,523**	**4,634**	**12.3%**

For the six months ended 30 June 2018, our revenue from uploading and unloading services increased by approximately 9.6% compared to the corresponding period in 2017 to approximately RMB39.5 million.

The increase in the revenue from uploading and unloading services was mainly attributable to an increase in revenue generated from handling oil products and asphalt, which was partially offset by a decrease in the revenue generated from handling quartz sand and kaolinite.

For the six months ended 30 June 2018, our rental income increased by approximately 79.3% compared to the corresponding period in 2017 to approximately RMB2.7 million.

The increase in the rental income was primarily due to an increase in the unit price for our storage facilities which we implemented in the second half of 2017.

Cost of sales

Our cost of sales increased approximately by 8.1% from approximately RMB14.4 million for the six months ended 30 June 2017 to approximately RMB15.6 million for the six months ended 30 June 2018. This was primarily driven by an increase in employee benefit expenses mainly due to an increase in number of employees and salaries and an increase in depreciation of property, plant and equipment.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately 15.0% from approximately RMB23.1 million for the six months ended 30 June 2017 to approximately RMB26.6 million for the six months ended 30 June 2018. The increase in gross profit was mainly attributable to the increase in our revenue driven principally by an increase in revenue from uploading and unloading services given total cargo throughput increased by approximately 2.7%, which was partially offset by the approximately RMB1.2 million increase in our cost of sales driven mainly by higher employee benefit expenses and increase in depreciation of property, plant and equipment as mentioned above. The increase in our rental income also contributed to the increase in our revenue without corresponding to a large increase in the cost of sales. These factors led to our gross profit margin increasing from approximately 61.7% for the six months ended 30 June 2017 to approximately 63.1% for the six months ended 30 June 2018.

Other Income and Other Gains — Net

For the six months ended 30 June 2018 and 2017, 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 and 2017, we recorded an aggregate guarantee fee of approximately RMB699,000 and RMB1.6 million, respectively 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 has been released before the publication of the Prospectus.

For the six months ended 30 June 2018, other gains — net of approximately RMB737,000 (for the six months ended 30 June 2017: RMB42,000) consisted mainly of net foreign exchange gain and gain on disposals of property, plant and equipment.

Selling and Administrative Expenses

Selling and administrative expenses increased from approximately RMB6.4 million for the six months ended 30 June 2017 to approximately RMB18.2 million for the six months ended 30 June 2018, primarily attributable to an increase of approximately RMB10.5 million in listing expenses charged to administrative expenses for the six months ended 30 June 2018 compared to the corresponding period in 2017. The increase in administrative expenses was also partially due to an increase in employee benefits expenses resulted from an increase in number of employees and salaries and directors' remuneration and consulting fees incurred after Listing.

Income Tax Expense

The Group's income tax expense increased by approximately 9.7% from approximately RMB5.6 million for the six months ended 30 June 2017 to approximately RMB6.1 million for the six months ended 30 June 2018. The increase was mainly due to an increase in the Group's profit before income tax excluding listing expenses for the six months ended 30 June 2018 compared to the corresponding period in 2017 and certain listing expenses were not deductible for tax purposes.

(Loss)/Profit Attributable to Owners of the Company

For the six months ended 30 June 2018, the Group's loss attributable to owners of the Company was approximately RMB858,000 (for the six months ended 30 June 2017: a profit attributable to owners of the Company of approximately RMB9.7 million). If the one-off listing expenses of approximately RMB12.6 million charged to the profit or loss statement for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB2.0 million) was excluded, then the profit attributable to owners of the Company of approximately RMB11.7 million for the six months ended 30 June 2018 would be approximately 0.4% lower than that for the six months ended 30 June 2017.

Liquidity and Financial Resources

Net Current Assets

The Group recorded net current assets of approximately RMB175.4 million as at 30 June 2018, while the net current assets as at 31 December 2017 was approximately RMB89.7 million.

Borrowings and Gearing Ratio

As at 30 June 2018, the Group did not have any borrowings (as at 31 December 2017: 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 Renminbi 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

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 2018 (for the six months ended 30 June 2017: Nil).

Pledge of Assets and Contingent Liabilities

As at 30 June 2018, the Group did not have pledge of assets, corporate guarantee and any significant contingent liabilities (as at 31 December 2017: the Group had pledged certain land use rights, sea area use rights and property, plant and equipment with the aggregate carrying amount of RMB146.5 million as collaterals for certain banking facilities of Maoming Tianyuan granted by PRC banks).

Foreign Exchange Risk

The Group's transactions were mainly conducted in Renminbi ("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 2017: Same).

Human Resources and Remuneration

As at 30 June 2018, the Group employed 222 employees (as at 30 June 2017: 203 employees) with total staff costs of approximately RMB8.7 million incurred for the six months ended 30 June 2018 (for the six months ended 30 June 2017: approximately RMB7.2 million). The increase of staff costs of the Group was mainly due to increase in number of employee and salaries and the payment of directors' remuneration for the six months ended 30 June 2018 compared to the corresponding period in 2017. The Group's remuneration packages are generally structured with reference to market terms and individual merits.

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 10 May 2018. The principal terms of the Share Option Scheme was summarised in the section headed "Share Option Scheme" in Appendix V of the Prospectus. The purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution or future contribution to the Group. During the six months ended 30 June 2018, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

Use of Net Proceeds from the Listing

The Shares were listed on the Main Board of the Stock Exchange on 1 June 2018 with actual net proceeds from share offer (the "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). The net proceeds from the Share Offer received by the Company after deducting the underwriting fees and commissions and expenses by the Company in relation to the Share Offer was lower than the net proceeds disclosed in the Announcement of Offer Price and Allotment Results issued by the Company on 31 May 2018. The decrease in net proceeds was mainly due to the bonuses paid to the underwriters and professional parties in connection with the Share Offer after the Listing. No material adverse change on the financial position of the Group was recorded as a result.

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 2018 as follows:

	Planned use of proceeds	**Approximate percentage of net proceeds**	**Actual use of proceeds from the Listing Date to 30 June 2018**
	RMB'000	*%*	*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%	38
Working capital and other general corporate purposes	4,072	10%	—
Total	40,716	100%	38

Future Plans for Material Investments or Capital Assets

Save for the business plan disclosed in the Prospectus or in this announcement, there is no other plan for material investments or capital assets as at 30 June 2018.

Capital Commitments

As at 30 June 2018, the Group had capital commitments for acquisition of property, plant and equipment amounting to approximately RMB53.3 million (as at 31 December 2017: RMB55.8 million).

Interim Dividend

The Board of the Company does not recommend the payment of an interim dividend for the six months 30 June 2018 (for the six months ended 30 June 2017: Nil)

Outlook and Prospects

Looking forward, despite of uncertainties existed, the economy in the PRC is expected to grow steadily and together with the initiatives including "Belt and Road" and "Greater Bay Area", the port industry is expected to be benefited from.

The Group will strive 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 is expected to be completed in the fourth quarter of 2018. After completion of construction, a testing and trial period is expected until the second quarter of 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Board recognizes the importance of good corporate governance standards and internal procedures so as to achieve effective accountability and enhance shareholders' value. The Board is of the opinion that the Company has complied with applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the Listing Date and up to 30 June 2018, 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 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 since the Listing Date and up to 30 June 2018.

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 since the Listing Date and up to 30 June 2018.

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 2018 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 2018 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.tianyuangroupholdings.com and the Stock Exchange's website at www.hkexnews.hk. The 2018 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 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 2018

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.