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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)

CONTINUING CONNECTED TRANSACTIONS THE TRADE FRAMEWORK AGREEMENT

THE TRADE FRAMEWORK AGREEMENT

On 1 November 2022, the Company and Maoming Tianyuan entered into the Trade Framework Agreement, pursuant to which the Company will supply crude oil, fuel oil and diluted asphalt to Maoming Tianyuan for three years from 1 January 2023.

LISTING RULES IMPLICATIONS

As the equity interest of Maoming Tianyuan is owned as to 95% by Mr. Yang and Mr. Yang is an executive Director, the chairman of the Board, the chief executive officer and one of the Controlling Shareholders, Maoming Tianyuan is an associate of Mr. Yang and a connected person of the Company. Accordingly, the transactions under the Trade Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps of the transaction amount of crude oil, fuel oil and diluted asphalt payable by Maoming Tianyuan under the Trade Framework Agreement is, on an annual basis, higher than 5% and the proposed annual caps are higher than HK\$10 million, such continuing connected transactions are subject to the announcement, annual review, circular (including advice of the independent financial adviser) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company will convene an EGM to seek approval from the Independent Shareholders in respect of the Trade Framework Agreement and the transactions and matters contemplated thereunder by way of poll.

A circular containing, among others, (i) further details of the Trade Framework Agreement and transactions and matters contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and (iii) a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be sent to the Shareholders on or before 22 November 2022.

THE TRADE FRAMEWORK AGREEMENT

On 1 November 2022, the Company and Maoming Tianyuan entered into the Trade Framework Agreement, pursuant to which the Company will supply crude oil, fuel oil and diluted asphalt to Maoming Tianyuan for three years from 1 January 2023.

The principal terms of the Trade Framework Agreement are set out as follows:

Date:	1 November 2022 (after trading hours)
Parties:	(i) the Company; and (ii) Maoming Tianyuan
Subject matter:	the Company agreed to sell, and Maoming Tianyuan agreed to purchase, crude oil, fuel oil and diluted asphalt on normal commercial terms or better
Condition precedent:	The entering into of the Trade Framework Agreement is subject to the parties having complied with applicable laws, regulations and the Listing Rules (including disclosure requirements and the obtaining of an approval from Independent Shareholders).
Term:	Three years from the effective date of the Trade Framework Agreement (i.e. from 1 January 2023 to 31 December 2025)

Pricing policy:

Pursuant to the Trade Framework Agreement, the sale of crude oil, fuel oil and diluted asphalt to Maoming Tianyuan is determined in accordance with the following pricing policies:

- (a) if there are applicable government (central and local governments) tariffs, the pricing of the Company's sales shall follow the government tariffs in accordance with the relevant requirements of the relevant regulatory department of the PRC government; or
- (b) if there are no government tariffs, but if there are applicable government's guidance prices, the pricing of the Company's sales shall follow the government's guidance prices in accordance with the relevant requirements of the relevant regulatory department of the PRC government; or
- (c) if there are no applicable government tariffs or government's guidance prices, the pricing of the Company's sales shall be determined in accordance with the prevailing market prices (including any bidding prices).

In determining the government tariffs and guidance prices, the Company will refer to the Circular of the NDRC on Further Improving the Pricing Mechanism of Refined Oil (Fa Gai Jia Ge[2016]No.64) 《關於進一步完善成品油價格形成機制有關問題的通知》(發改價格[2016]64號) issued by the NDRC on 13 January 2016 and the Rules for Pricing of Petroleum Management Method 《石油價格管理辦法》 issued on the same day.

As at the date of this announcement, there are no applicable government (central and local governments) tariffs or guidance prices in relation to crude oil. As such, the prices of crude oil are determined on the basis of prevailing market prices.

As at the date of this announcement, there are no applicable government (central and local governments) tariffs in relation to the fuel oil and diluted asphalt to be sold by the Group to Maoming Tianyuan. As such, the prices of the fuel oil and diluted asphalt will be determined with reference to (i) the average price of the relevant petroleum products announced weekly by the NDRC; (ii) the international and domestic market prices of the relevant petroleum products; (iii) the actual transaction price quoted by the Group to independent third parties for products of comparable quality; (iv) other terms including quality and freight rate.

The unit price paid by Maoming Tianyuan shall not be lower than the unit price of the crude oil, fuel oil and diluted asphalt with comparable types and quantities which are sold by the Company or its subsidiaries to other independent third-party customers during the relevant period.

Payment terms:

Payment is made before delivery of the crude oil, fuel oil and diluted asphalt. After the Company has received payment from Maoming Tianyuan, the Company will provide the crude oil, fuel oil and diluted asphalt to Maoming Tianyuan at the time as agreed between the parties. Methods of payment include but are not limited to cash, acceptance bills, cheques, letters of credit, etc.

Annual caps

Pursuant to the Trade Framework Agreement, the annual caps for the three years ending 31 December 2023, 2024 and 2025 are as follows:

	For the year ending		
	31 December		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Annual caps	500	650	850

Internal control procedures:

The Company has adopted the following internal control procedures to ensure that the continuing connected transactions under the Trade Framework Agreement will be conducted on normal commercial terms and in accordance with the Trade Framework Agreement and the pricing determination policy that the proposed annual caps will not be exceeded:

- (a) When specific transactions under the Trade Framework Agreement are conducted, there will be checking to make sure their terms are in line with the terms of the Trade Framework Agreement and the price are in line with the fixed price list;
- (b) As segregation of duty, the Company has appointed designated qualified personnel under the Group's business and finance department to conduct monthly checks to review and assess whether the transactions under the Trade Framework Agreement are conducted in accordance with their terms and also monitor the prices for similar transactions with independent third parties for considering if the prices of the transactions under the Trade Framework Agreement follow the fixed price list, and report to the management regularly;
- (c) The Group's management will review the transaction records of the Trade Framework Agreement monthly, and will regularly report the status of execution of the transactions under the Trade Framework Agreement to the Board;
- (d) The Company's external auditors will conduct annual review on the transaction amounts and the annual caps of the transactions under the Trade Framework Agreement; and
- (e) The independent non-executive Directors will conduct annual review and make annual confirmation on the transactions under the Trade Framework Agreement.

The Company considers that the above internal control procedures could function as effective measures to regulate continuing connected transactions. The Company also provides accurate materials in relation to continuing connected transactions as always to facilitate the annual review conducted by the independent non-executive Directors and the independent auditor. Therefore, the Directors consider that the above internal control procedures could ensure the continuing connected transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

REASONS FOR AND BENEFITS OF THE TRADE FRAMEWORK AGREEMENT

Maoming Tianyuan has been operating in the petrochemical industry for over 25 years. Maoming Tianyuan, together with its affiliates, engages in the production and processing of petroleum products and petrochemical products and has a well-established network of sales channels of processed petroleum products and petrochemical products with a large

customer base in Guangdong and the southwest region of mainland China. Maoming Tianyuan's demand for crude oil, fuel oil and diluted asphalt is high. By cooperating with Maoming Tianyuan, the Group will be able to secure a large customer for the Group's crude oil, fuel oil and diluted asphalt, while Maoming Tianyuan will be able to benefit from the Group's access to a wider market to the rest of the world in Hong Kong and further reduce expenses and improve overall operating efficiency.

As such, the Trade Framework Agreement was entered into in the usual and ordinary course of business of the Company and the terms of which were negotiated based on normal commercial terms and the prices were determined after arm's length negotiation and on the basis that no less favourable prices of crude oil, fuel oil and diluted asphalt offered by the Group to Maoming Tianyuan as compared with those offered by the Group to independent third-party customers of the Group for the comparable product type and quantity at the relevant time.

The Directors (excluding Mr. Yang and the independent non-executive Directors who will express their views in the circular after having considered the advice to be given by the Independent Financial Adviser) consider that (i) the Trade Framework Agreement could, to a certain extent, guarantee the cooperation and transactions with Maoming Tianyuan and provide a stable source of income to the Group for the next three financial years which is beneficial to the Company and its Shareholders; and (ii) the terms of the Trade Framework Agreement and the annual caps thereunder are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES TO THE TRADE FRAMEWORK AGREEMENT

The Group is principally engaged in the provision of bulk and general cargo uploading and unloading services and related ancillary value-added services through operating terminals situated in the Shuidong port area of the Port of Maoming as well as supply and sales of oil products in the PRC.

Maoming Tianyuan is a company established in the PRC with limited liability on 27 November 1996. Maoming Tianyuan has a registered capital of RMB100 million. It is principally engaged in, among others, the distribution of refined oil, heavy oil, coal and liquid chemicals. The scope of its operating licence includes, among others, (i) the distribution and trading of refined oil products, petrochemical products, other by-products products and coal but does not operate any storage facilities; (ii) operation of storage of certain refined petroleum products at a port; and (iii) general cargo transportation; (iv) import and export of goods and technology; and (v) the sale of chemical products, refined oil products and other products. It also has approval permit to engage in, among others, (i) wholesale business of refined oil products; and (ii) hazardous chemical business.

The equity interest of Maoming Tianyuan is owned as to 95% by Mr. Yang, an executive Director, the chairman of the Board, the chief executive officer and one of the Controlling Shareholders and 5% by Ms. Gan Yanmei (甘燕梅女士).

LISTING RULES IMPLICATIONS

As the equity interest of Maoming Tianyuan is owned as to 95% by Mr. Yang and Mr. Yang is an executive Director, the chairman of the Board, the chief executive officer and one of the Controlling Shareholders, Maoming Tianyuan is an associate of Mr. Yang and a connected person of the Company. Accordingly, the transactions under the Trade Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

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GENERAL

EGM

The Company will convene an EGM to seek approval from the Independent Shareholders in respect of the Trade Framework Agreement and the transactions and matters contemplated thereunder by way of poll. As Mr. Yang, together with his associates, are materially interested in the transactions under the Trade Framework Agreement, they will abstain from voting in the resolutions to be proposed at the EGM to be convened for approving the above matters.

Independent Board Committee

The Independent Board Committee comprising all independent non-executive Directors has been established to consider whether the Trade Framework Agreement and the annual caps thereunder are fair and reasonable, and to advise the Independent Shareholders on how to vote in respect of the relevant resolutions at the EGM.

Appointment of Independent Financial Adviser

VBG Capital Limited has been appointed by the Company as its Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Trade Framework Agreement and the annual caps thereunder are fair and reasonable and as to voting at the EGM so far as the Independent Shareholders are concerned.

Despatch of circular

A circular containing, among others, (i) further details of the Trade Framework Agreement and transactions and matters contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and (iii) a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be sent to the Shareholders on or before 22 November 2022.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Tian Yuan Group Holdings Limited (天源集團控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 27 July 2015, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6119)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	controlling shareholders of the Company and has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the resolutions on the Trade Framework Agreement and the annual caps thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the committee of the Board comprising all the independent non-executive Directors, established to advise the Independent Shareholders as to voting at the EGM on, among other things, the resolutions on the Trade Framework Agreement and the annual caps thereunder
“Independent Financial Adviser”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial advisor to the Independent Board Committee and the Independent Shareholders in relation to the Trade Framework Agreement and the annual caps thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions on the Trade Framework Agreement and the annual caps thereunder at the EGM, being all Shareholders other than Mr. Yang and his associates
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Maoming Tianyuan”	Maoming Tianyuan Trade Development Company Limited* (茂名市天源商貿發展有限公司), a company established in the PRC with limited liability
“Mr. Yang”	Mr. Yang Jinming (楊金明先生), an executive Director, the chairman of the Board, the chief executive officer and one of the Controlling Shareholders
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Trade Framework Agreement” the trading of goods agreement (貨物貿易協議) entered into between the Company and Maoming Tianyuan on 1 November 2022, pursuant to which the Company agreed to supply, and Maoming Tianyuan agreed to purchase, crude oil, fuel oil and diluted asphalt for a term of 3 years

“%” per cent

English translations of company names in Chinese which are marked with “” are for identification purpose only.*

By order of the Board
Tian Yuan Group Holdings Limited
Yang Jinming
Chairman and Chief Executive Officer

Hong Kong, 1 November 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.