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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Tian Yuan Group Holdings Limited, you should at once pass this circular together with the enclosed form of proxy to the purchaser, the transferee, the bank, the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

### **Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders**



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A letter from the Board is set out on pages 4 to 18 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Advisor containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 36 of this circular.

A notice convening the EGM to be held at 3:00 p.m., on Monday, 16 January 2023 at Conference Room, 13th Floor, Academic Exchange Center, Intersection of Panzhou Avenue and Yingbin Avenue, Dianhai Street, Dianbai District, Maoming City, Guangdong Province, PRC is set out on pages 42 to 43 of this circular. A form of proxy for the use at the EGM is enclosed herewith. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.tianyuanholdings.com](http://www.tianyuanholdings.com).

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company on 29 December 2022 as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

29 December 2022

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Announcement”	the announcement of the Company dated 1 November 2022 in relation to the Trade Framework Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 3:00 p.m., on Monday, 16 January 2023 at Conference Room, 13th Floor, Academic Exchange Center, Intersection of Panzhou Avenue and Yingbin Avenue, Dianhai Street, Dianbai District, Maoming City, Guangdong Province, PRC for the Independent Shareholders to consider and, if thought fit, to approve the resolution on the Trade Framework Agreement and the annual caps thereunder
“Greater Bay Area”	Guangdong-Hong Kong-Macau Bay Area, being the integrated economic and business hub covering cities such as Hong Kong, the Macau Special Administrative Region, and cities in the PRC such as Guangzhou, Huizhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Jiangmen and Zhaoqing
“Group”	the Company and its subsidiaries from time to time
“Guangxi”	the Guangxi Zhuang Autonomous Region
“Gulf of Tonkin”	a gulf at the northwestern portion of the South China Sea which is situated off the coasts of Tonkin (i.e. northern Vietnam) and South China

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## DEFINITIONS

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“Hainan Free Trade Zone”	the special economic zone of Hainan Province
“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 the resolution on the Trade Framework Agreement and the annual caps thereunder
“Independent Financial Advisor”	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 resolution on the Trade Framework Agreement and the annual caps thereunder at the EGM, being all Shareholders other than Mr. Yang and his associates
“Latest Practicable Date”	21 December 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the 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 circular only, excluding Hong Kong, Macau Special Administrative Region

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s), with par value of HK\$0.01 each, in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianyuan Petrochemical”	Maoming Tianyuan Petrochemical Company Limited* (茂名天源石化有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Maoming Tianyuan
“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 asphalts for a term of 3 years
“West Guangdong”	western Guangdong Province comprising Zhanjiang, Maoming and Yangjiang prefecture-level cities
“%”	per cent

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



**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)**

*Executive Directors:*

Mr. Yang Jinming  
*(Chairman and Chief Executive Officer)*  
Ms. Tong Wai Man  
Mr. Su Baihan

*Non-executive Director:*

Mr. Yang Fan

*Independent Non-executive Directors:*

Mr. Pang Hon Chung  
Professor Wu Jinwen  
Mr. Huang Yaohui

*Registered Office:*

Windward 3, Regatta Office Park  
P.O. Box 1350,  
Grand Cayman KY1-1108  
Cayman Islands

*Headquarters:*

168 Renmin South Road  
Maoming, PRC

*Principal place of business  
in Hong Kong:*

Room C, 29/F.,  
Tower B, Billion Centre  
1 Wang Kwong Road  
Kowloon Bay  
Hong Kong

29 December 2022

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
THE TRADE FRAMEWORK AGREEMENT**

**INTRODUCTION**

The purpose of this circular is to provide you with, among others, (i) details of transactions and proposed annual caps under the Trade Framework Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

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## LETTER FROM THE BOARD

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### BACKGROUND

Reference is made to the Announcement in relation to the Trade Framework Agreement entered into on 1 November 2022 between the Company and Maoming Tianyuan.

### 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 asphalts 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 asphalts 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 asphalts 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

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## LETTER FROM THE BOARD

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- (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 Latest Practicable Date, there were 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 with reference to (i) the fixed price list which is drawn up by the relevant operating entities based on the international and domestic market prices of crude oil, among others, and the actual transaction prices quoted by the Group to independent customers; and (ii) other terms including quality and freight rate.

As at the Latest Practicable Date, there were no applicable government (central and local governments) tariffs in relation to fuel oil and diluted asphalts to be sold by the Group to Maoming Tianyuan. As such, the prices of the fuel oil and diluted asphalts will be determined with reference to (i) the average price of the relevant petroleum products announced weekly by the NDRC; (ii) the fixed price list which is drawn up by the relevant operating entities based on the international and domestic market prices of fuel oil or diluted asphalts, among others, and the actual transaction prices quoted by the Group to independent customers; and (iii) other terms including quality and freight rate.



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## LETTER FROM THE BOARD

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The fixed price list will be updated by designated qualified personnel of the Company on a weekly basis and is applicable to all customers of the Group. The unit price paid by Maoming Tianyuan shall not be lower than the unit price of the crude oil, fuel oil and diluted asphalts 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 asphalts. After the Company has received payment from Maoming Tianyuan, the Company will provide the crude oil, fuel oil and diluted asphalts 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 proposed 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
	RMB	RMB	RMB
	(million)	(million)	(million)
Annual caps	<u>500</u>	<u>650</u>	<u>850</u>

### Basis of determination of the annual caps:

As the Company has not sold any crude oil, fuel oil or diluted asphalts to Maoming Tianyuan in the past, the proposed annual caps under the Trade Framework Agreement for the years ending 31 December 2023, 2024 and 2025 are determined with reference to the existing scale and operations of the businesses of the Group and Maoming Tianyuan as well as the historical and current demand of crude oil, fuel oil and diluted asphalts of Maoming Tianyuan.

To the best knowledge, information and belief of the Directors, the amount of petroleum products and petrochemical products procured by Maoming Tianyuan in the year ended 31 December 2021 is approximately RMB7 billion, of which import of crude oil, fuel oil and diluted asphalts amounted to US\$60 million (equivalent to approximately RMB381.1 million) and for the six months ended 30 June 2022, import of crude oil, fuel oil and diluted asphalts of Maoming Tianyuan amounted to US\$50 million (equivalent to approximately RMB334.9 million).

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## LETTER FROM THE BOARD

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As the economy in the PRC in the second half of 2022 is recovering and that the support for the provision of credit by banks in the PRC will be strengthened, it is estimated that import amount of crude oil, fuel oil and diluted asphalts of Maoming Tianyuan will reach approximately US\$200 million (equivalent to approximately RMB1.45 billion).

Based on the estimated development of Maoming Tianyuan, the estimated development of the Group, the potential fluctuations in the prices of crude oil, fuel oil and diluted asphalts both in international market and domestic market, it is estimated that the demand of crude oil, fuel oil and diluted asphalts of Maoming Tianyuan will be high and the Company will only be one of its suppliers. The projected demand for crude oil, fuel oil and diluted asphalts by Maoming Tianyuan is estimated to be at approximately 1.5 million tonnes, 2.0 million tonnes and 2.5 million tonnes for the three years ending 31 December 2023, 2024 and 2025 respectively. The Board believes that the crude oil, fuel oil and diluted asphalts business of the Group will be further enhanced and will open up more business opportunities between the Group and Maoming Tianyuan.

The Group is of the view that the proposed annual caps are in line with the estimated development of the business of the Group and Maoming Tianyuan, and is determined based on principles of fairness and reasonableness.

### **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;

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## LETTER FROM THE BOARD

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- (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. As part of the monthly checks to be performed by designated qualified personnel under the Group's business and finance department, the total transaction amounts under the Trade Framework Agreement will be calculated and compared to the proposed annual caps on a monthly basis and if the annual caps are expected to be exceeded for a particular year, it will be reported to the management. The management will then take appropriate measures in accordance with the relevant requirements of the Listing Rules;
- (d) The Company's external auditors will conduct annual review on the transaction amounts and the proposed 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.

As at the Latest Practicable Date, there were no applicable government (central and local governments) tariffs or guidance prices in relation to crude oil, fuel oil or diluted asphalts. When any laws, regulations or other regulatory documents in relation to government prescribed price in respect of certain category of products come into effect, the pricing department of the Company will forward these regulatory requirements to its operating entities and require all the operating entities to follow the government-prescribed or guidance prices. Designated qualified personnel of the Company will review the enforcement of the government-prescribed or guidance prices by the operating entities from time to time.

When no government-prescribed or guidance prices apply, the operating entities shall formulate the fixed price list based on the international and domestic market prices of the crude oil, fuel oil and diluted asphalts and the actual transaction prices quoted by the Group to independent customers.

The fixed price list will be updated by the designated qualified personnel of the Company on a weekly basis and is applicable to all customers of the Group.

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.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE TRADE FRAMEWORK AGREEMENT

To diversify its revenue source, the Group started the supply and sales of oil products in 2019 to independent third parties leveraging on its knowledge gained and network established through years of port operation and bulk cargo handling in the petrochemical industry. Such new business development has been advancing well since its commencement and the Company intends to become one of the leading suppliers of crude oil, fuel oil and diluted asphalts in Maoming and the surrounding region in Guangdong Province.

On the other hand, Maoming Tianyuan has been operating in the petrochemical industry for over 25 years. Maoming Tianyuan, together with its associates, 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 Province and the southwest region of mainland China. Because of the high demand for Maoming Tianyuan's processed petroleum products and petrochemical products by its customers, to satisfy such demands, Maoming Tianyuan's demand for crude oil, fuel oil and diluted asphalts, which are raw materials used for producing processed petroleum products and petrochemical products, is also high. Also, the Group has the reputation, qualification and licenses to engage in the business of supply and sale of oil products while its terminals are well-equipped with oil tanks for storage. Therefore, the Group, by cooperating with Maoming Tianyuan, will be able to secure a large customer for the Group's crude oil, fuel oil and diluted asphalts. Not only will the transactions with Maoming Tianyuan under the Trade Framework Agreement provide a new source of income to the Group, but they will also allow the Group to establish its reputation in supplying these products, lower the per-unit costs through economies of scale and improve inventory management through bulk purchase. Meanwhile, Maoming Tianyuan will also concurrently benefit from the transactions contemplated under the Trade Framework Agreement as 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 the 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 asphalts 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 but including the independent non-executive Directors) 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

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## LETTER FROM THE BOARD

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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.

### **POTENTIAL RELIANCE ON CONTROLLING SHAREHOLDER AND HIS ASSOCIATES**

As stated above, after commencement of the Group's new business in the supply and sales of oil products in 2019, such business development has been advancing well and the Company intends to become one of the leading suppliers of crude oil, fuel oil and diluted asphalts in Maoming and the surrounding region in Guangdong Province. Having secured Maoming Tianyuan as a large customer of the Group with a relatively high demand for crude oil, fuel oil and diluted asphalts, the Group will be able to (i) lower the per-unit costs through economies of scale and improve inventory management through bulk purchase; and (ii) promote its brand as one of the leading suppliers of various raw materials and oil products in Maoming, thereby expanding its customer base.

Meanwhile, the Company is expanding and enhancing its sales and marketing department which will facilitate the Company to develop relationships and obtain more orders from other new independent customers. The Company has already hired a senior management personnel as general manager of one of the Company's subsidiaries to enhance the sales and marketing function. The new hire possesses over 20 years of experience in sales and management in petroleum and petrochemical products who has established and accumulated a vast network for marketing purposes. As such, even though the Group expects that the projected sales of crude oil, fuel oil and diluted asphalts to Maoming Tianyuan will constitute a significant portion of revenue of the Company based on its existing revenue figures which may contribute to the concentration risk of the Company, the Company is also actively developing its business in such a way which will mitigate this risk in the mid- to long-term. The overall effect of the transactions with Maoming Tianyuan under the Trade Framework Agreement is that such transactions will be a stepping stone for the Group to further develop its oil trading business.

On the other hand, as the Company is not the exclusive supplier of crude oil, fuel oil and diluted asphalts to Maoming Tianyuan, Maoming Tianyuan is not obligated to place orders only with the Group or at all in the future. However, given that the Company is also one of the operators of Maoming Port and possesses oil tanks for storage and geographical advantage of the offloading/storage location, Maoming Tianyuan will be able to save valuable time in delivering the goods and money on logistics related expenses including transportation expenses and certain delay charges. The Group will arrange for the procurement and offloading of crude oil, fuel oil and diluted asphalts from various suppliers outside of China and if the goods ordered by Maoming Tianyuan are delivered to the terminals operated by the Group at Maoming Port, offloading and/or storage can be handled by the Group with priority handling for Maoming Tianyuan as value-added services thereby creating synergy between the two companies. For the above reasons, the Company and Maoming Tianyuan can mutually benefit from the transactions under the Trade Framework Agreement.

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## LETTER FROM THE BOARD

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Under the provisions of the Trade Framework Agreement, payment shall be made before delivery of the goods to Maoming Tianyuan. As such, the default risk from Maoming Tianyuan would be mitigated. Moreover, the Group would not be required to devote substantial additional cash flow to operate the relevant transactions and thus, the transactions with Maoming Tianyuan would not affect the Group's business in the sales of petrochemical products to independent customers which have been demonstrating an overall growing momentum in the past few years and other existing business.

The Company is confident that the possible concentration of sales to Maoming Tianyuan will likely decrease after the Company further expands its market share in the supply of crude oil, fuel oil and diluted asphalts to other independent customers in the coming years. Having considered that (i) the Group commenced the business of supply and sales of oil products to independent customers in 2019 and such business development has been advancing well, the Group has gained sufficient fundamental industry experience to further expand its business and client base; (ii) the Company is building up a sales and marketing team and will strengthen it along with expansion plan; (iii) as the Company imports crude oil, fuel oil and diluted asphalts in large volume, the Company will be able to lower its prices and thereby attract new independent third-party customers in the future; (iv) the Company can also leverage Maoming Tianyuan's reputation to promote its brand name and thereby attracting new customers; and (v) the Group will also further explore its existing network of customers as some of these customers also purchase crude oil, fuel oil and diluted asphalts from other suppliers.

Given that (a) Maoming is one of the largest petrochemical production bases in the PRC and is famous for its mineral resources which include oil shale, kaolinite and jade; and (b) according to the Maoming 14th Five-Year Plan (茂名市十四五規劃), the petrochemical industry will be enhanced amid the city's planned development of the related value chain, the Company believes that there are plenty of opportunities for it to identify new customers and expand its customer base. The Group is currently actively discussing with its existing customers which may also purchase crude oil, fuel oil and diluted asphalts as well as potential new customers, conducting business meetings to understand customers' specifications, timetable and pricing requirements.

### **BUSINESS MODEL OF THE SUPPLY AND SALES OF OIL PRODUCTS BUSINESS**

During the three years ended 31 December 2019, 2020 and 2021, the Group generated revenue from the supply and sales of a number of oil products in the PRC which include crude oil, fuel oil, diluted asphalts, mineral oil and asphalts. For the three years ended 31 December 2019, 2020 and 2021, the revenue from sales of oil products amounted to RMB37,004,000, RMB73,031,000 and RMB205,217,000, respectively. Furthermore, for the six months ended 30 June 2022, the unaudited revenue from the sales of oil products amounted to RMB81,926,000.

The Group procures and imports oil products from petroleum and petrochemical production companies, oil trading companies in the international petroleum markets and in addition purchase oil products from local state-owned petroleum and petrochemical companies. Throughout the past few years of procurement, the Group has established



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## LETTER FROM THE BOARD

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stable business relationships with its suppliers. To the best knowledge, information and belief of our Directors, the suppliers of oil products purchased by the Group during the three years ended 31 December 2019, 2020 and 2021 and up to the date of this circular are all independent third parties of the Company.

The Group supplies oil products including crude oil, fuel oil, diluted asphalts, mineral oil and asphalts mainly to oil production companies which sell their oil products to their customers. To the best knowledge, information and belief of our Directors, the customers of the Group's oil products during the three years ended 31 December 2019, 2020 and 2021 and up to the date of this circular are independent third parties of the Company.

The Group anticipates that, based on the current sales figures and the level of interest in crude oil, fuel oil, diluted asphalts, mineral oil and asphalts by the Group's existing customers and its potential new customers upon successful brand building, and the level of demand for crude oil, fuel oil and diluted asphalts from Maoming Tianyuan, after the Trade Framework Agreement has come into effect, it is estimated that the proportion of revenue from sales to independent third-party customers and sales to Maoming Tianyuan will account for approximately 50% and 50% of the total revenue generated from the supply and sales of oil products of the Group in the year ending 31 December 2023, respectively. Furthermore, after business development of the diluted asphalts business has become established, the Group estimates that the proportion of revenue to be generated from Maoming Tianyuan out of the revenue to be generated from all customers is expected to be less than 50% in the year ending 31 December 2024 and onwards.

### **Competitive strengths**

*Geographical advantage:* As the two terminals operated by the Group are located in Maoming, Guangdong Province and Maoming is situated in the central part of West Guangdong, it is located at the intersection of the three major economic zones, the Greater Bay Area, the cities near the Gulf of Tonkin and the Hainan Free Trade Zone. As such, Maoming is an important base for trading in petroleum and petrochemical products as well as raw materials for producing energy in the PRC and has unique geographical advantages in selling oil products to various oil production companies in the area.

*Advantages of loading, unloading and storage:* The oil products ordered by the Group can be shipped to customers through one of the two terminals operated by the Group, which saves logistics expenses and enhances competitiveness for the Group. Combined with advanced storage capacity, the Group is able to satisfy customers' needs in a timely fashion and ensure production efficiency is maintained for the Group's customers.

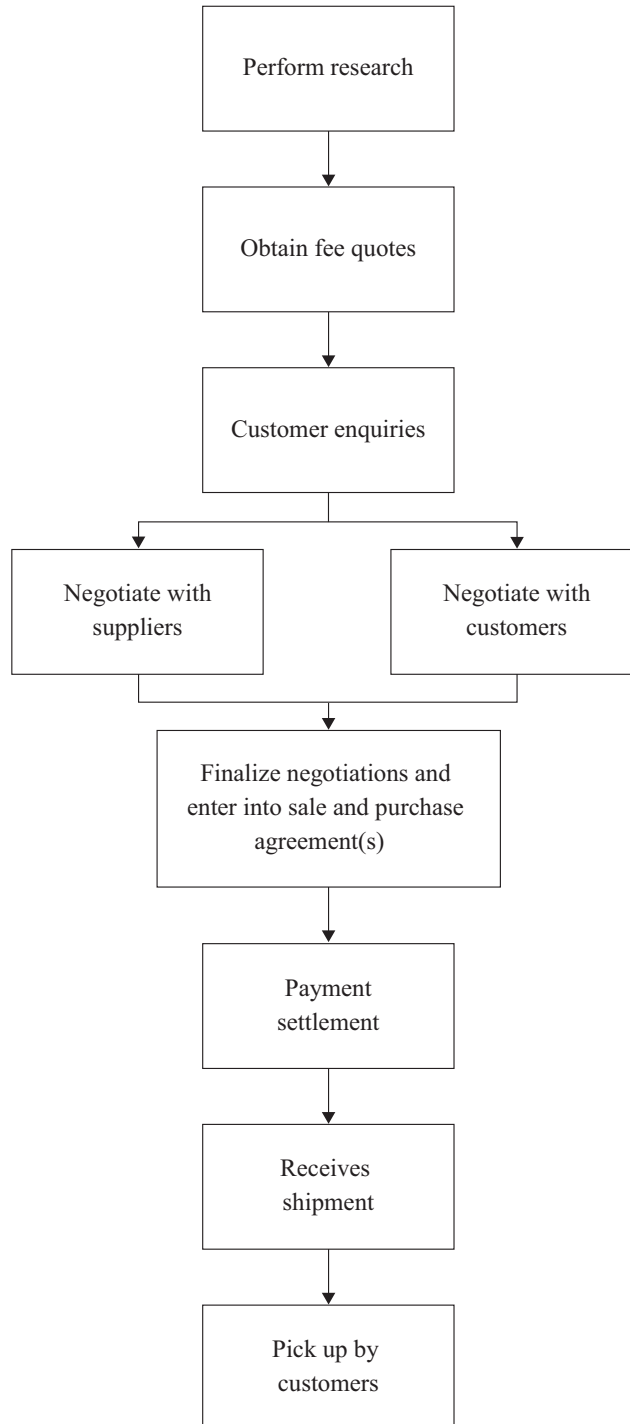
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## LETTER FROM THE BOARD

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### Business operations

The following flowchart illustrates the stages involved in the business operations of the supply and sales of oil products business of the Group:





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## LETTER FROM THE BOARD

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The Group performs weekly research and collects price information in relation to buying and selling different oil products and obtains weekly fee quotations for the Group's existing and potential customers. After obtaining request for fee quotations from the customers, the Group would negotiate with upstream suppliers and downstream customers on the quality, price and delivery method of the relevant oil products.

Negotiations with suppliers and customers for a given shipment usually proceed simultaneously and cover issues such as type of oil products, specifications and quantity of the relevant oil product(s) to be procured and sold, the place and date of delivery, the unit price of the oil product(s), payment terms as well as shipping terms. The Group also (i) arranges for unloading, storage and/or transportation; and (ii) liaise with and obtain reports from shipping brokers regarding location of oil tankers and the status of transportation. Upon finalizing the negotiations on the terms of the supply or purchase agreements, the Group will enter into sale and purchase agreement(s) with the relevant supplier and customer.

The Group typically purchases oil products from its suppliers after the Group has entered into a supply agreement with its customers. As the Group's purchase price and selling price of oil products are determined concurrently, and customers' orders and payments are received before the Group places orders with the suppliers, the profitability of the sales is likely to be guaranteed and the Group does not perform hedging on the price fluctuation of the oil products. The Group ensures that all settlements in relation to oil products, both in respect of suppliers and customers, are denominated in the same currency to minimize risks relating to the fluctuation of exchange rates.

### **INFORMATION OF THE PARTIES TO THE TRADE FRAMEWORK AGREEMENT**

The Group operates two terminals in the Shuidong port area of the Port of Maoming, Tianyuan Terminal and Zhengyuan Terminal, which focus on bulk cargo and sales of oil products. Firstly, the Group, as part of its principal business, engages in the business of bulk cargo uploading and unloading services with the Group's terminals which are relatively adaptive and are able to handle a variety of non-containerised cargo. During the year ended 31 December 2021 and the six months ended 30 June 2022, the Group mainly handled bulk cargo such as coal, quartz sand, oil products, grains, asphalts and kaolinite as well as a small portion of break bulk cargo and neo-bulk cargo. Secondly, the Group engages in the provision of related ancillary value-added port services, which mainly include storage services at the Group's oil tanks and grain barns as well as leasing of the Group's shovel trucks. Thirdly, the Group engages in the supply and sales of oil products in the PRC.

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## LETTER FROM THE BOARD

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The Group is determined to create shareholders' value through operating its principal business activities including the provision of bulk cargo uploading and unloading services by providing competitive services in the port terminal services industry. Although the Group does not currently have any immediate plans to construct new facilities at its terminals, the Group will continue to seek new opportunities which will increase the handling capability and enhance operating efficiency at its terminals. The Group intends to enhance its sales efforts to maintain its customer base and capture potential opportunities and develop potential new customers in West Guangdong and Guangxi. The Group plans to enhance established stable relationships with its key customers which will enable the Group to maintain a sustainable growth. As such, the Board has no intention or understanding, or under any negotiation or arrangement (concluded or otherwise) to dispose of, downsize or terminate any part of its cargo handling business.

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, fuel 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).

### **APPROVAL BY THE BOARD AND INDEPENDENT SHAREHOLDERS**

Pursuant to the Listing Rules, the continuing connected transactions and their proposed annual caps shall be approved by the Independent Shareholders at the EGM. Any Shareholder with a material interest in the transaction and its associates will not vote.

As Mr. Yang, an executive Director, the chairman of the Board, the chief executive officer and one of the Controlling Shareholders, is the ultimate beneficial owner of Maoming Tianyuan, Mr. Yang is materially interested in the Trade Framework Agreement. As such, Mr. Yang abstained from voting on the related resolutions at the meeting of the Board. Save for Mr. Yang, none of the Directors had material interests in the Trade Framework Agreement and was required to abstain from voting on the relevant resolutions of the Board.

As Mr. Yang and his associates hold 423,000,000 Shares in aggregate, representing approximately 70.5% of the issued share capital of the Company, as at the Latest Practicable Date, they are required to abstain from voting on the resolution in relation to the transactions and annual caps under the Trade Framework Agreement at the EGM.

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## LETTER FROM THE BOARD

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### 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 asphalts 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.

The Board (excluding Mr. Yang but including the independent non-executive directors) is of the view that the terms of the Trade Framework Agreement are in the ordinary course of business of the Company, and have been entered into on normal commercial terms or terms no less favourable to the Company than those with independent third parties, are fair and reasonable, and in the interest of the Company and the Shareholders as a whole. On such basis, the Board suggests the Independent Shareholders of the Company to approve the terms and the proposed annual caps in respect of the Trade Framework Agreement.

### THE EXTRAORDINARY GENERAL MEETING

The EGM will be held for the purpose of considering and, if thought fit, approving by the Independent Shareholders the transactions and the annual caps under the Trade Framework Agreement.

A notice convening the EGM is set out on pages 42 to 43 of this circular. The EGM will be held at 3:00 p.m., on Monday, 16 January 2023 at Conference Room, 13th Floor, Academic Exchange Center, Intersection of Panzhou Avenue and Yingbin Avenue, Dianhai Street, Dianbai District, Maoming City, Guangdong Province, PRC, at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the transactions and the annual caps under the Trade Framework Agreement. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company on 29 December 2022, as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy shall not preclude you from attending and voting in person at the EGM or an adjournment thereof should you so desire.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Based on the relevant information disclosed herein, the Directors, including all the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular, are of the opinion that the transactions and the annual caps under the Trade Framework Agreement are on normal commercial terms, and are fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Advisor”, the general information set out in the Appendix to this circular and the notice of the EGM.

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



**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)**

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
THE TRADE FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 29 December 2022 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein. We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the transactions and the annual caps under the Trade Framework Agreement, details of which are set out in the letter from the Board contained in the Circular, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the transactions and the annual caps under the Trade Framework Agreement and the advice of the Independent Financial Advisor in relation thereto as set out on pages 21 to 36 of the Circular, we consider that the terms of the transactions under the Trade Framework Agreement are on normal commercial terms, and the annual caps under the Trade Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. We also consider that the Trade Framework Agreement is in ordinary and usual course of business of the Company.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the transactions and annual caps under the Trade Framework Agreement.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

**Mr. Pang Hon Chung**

**Professor Wu Jinwen**  
*Independent non-executive Directors*

**Mr. Huang Yaohui**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Trade Framework Agreement for the purpose of inclusion in this circular.*



建泉融資有限公司  
VBG Capital Limited

21/F., Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

29 December 2022

*To: The independent board committee and the independent shareholders  
of Tian Yuan Group Holdings Limited*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS THE TRADE FRAMEWORK AGREEMENT

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Trade Framework Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 29 December 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

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 asphalts (altogether, the “**Oil Products**”) to Maoming Tianyuan for three years from 1 January 2023 to 31 December 2025. The proposed annual caps for the transactions are RMB500 million, RMB650 million and RMB850 million for each of the three years ending 31 December 2023, 2024 and 2025, respectively.

According to the Letter from the Board, the transactions contemplated under the Trade Framework Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and are therefore subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee comprising Mr. Pang Hon Chung, Professor Wu Jinwen and Mr. Huang Yaohui (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Trade Framework Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the Trade Framework Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Trade Framework Agreement at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the Trade Framework Agreement.

### **BASIS OF OUR OPINION**

In formulating our opinion with regard to the Trade Framework Agreement, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, Maoming Tianyuan or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Trade Framework Agreement. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any investigation into the accuracy and completeness of such information.

In addition, Shareholders should note that as the proposed annual caps under the Trade Framework Agreement are relating to future events and estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenues or costs to be recorded from the Trade Framework Agreement. Consequently, we express no opinion as to how closely the actual revenues and costs to be recorded under the Trade Framework Agreement will correspond with the proposed annual caps.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Trade Framework Agreement, we have taken into consideration the following principal factors and reasons:

#### **1. Background of the Trade Framework Agreement**

##### ***Business and financial overview of the Group***

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, the PRC as well as supply and sales of oil products in the PRC.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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The table below depicts the key consolidated financial information of the Group for the six months ended 30 June 2022 and the three years ended 31 December 2021, 2020 and 2019 as extracted from the interim report of the Company for the six months ended 30 June 2022 and the annual reports of the Company for the years ended 31 December 2021 and 2020, respectively:

	<b>For the six months ended 30 June 2022</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2019</b>
	(unaudited)	(audited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	132,244	295,099	173,523	124,724
— Cargo handling and ancillary services	50,318	86,538	98,893	86,108
— Sales of oil products	81,926	208,561	74,630	38,616
Net profit for the period/ year	15,483	20,185	29,861	21,507

As advised by the Directors, the Group benefits from various major industries in Maoming City, including petroleum refining, petrochemicals, raw chemicals and chemical products, mining, energy resources and agricultural products processing. Based on our independent research, we noted that Maoming City is one of the largest petrochemical production bases in the PRC, and is famous for its mineral resources which include oil shale, kaolinite and jade. According to the Maoming 14th Five-Year Plan (茂名市十四五規劃), the petrochemical industry will be enhanced amid the city's planned development of the related value chain. Firstly, the scale and structure of the petrochemical industry will be enlarged and optimized. Secondly, the applications of petrochemical products will be broadened by means of combining the upstream and midstream petrochemical industry chains and extending the midstream and downstream petrochemical industry chains. With reference to the statistics released by Maoming City Statistical Department, the city's total industrial added value of the petroleum processing industry increased year-on-year by approximately 8.6%, 6.7%, 11.1% and 1.6% from 2018 to 2021. Over the past few years, the city's output of major oil products (including gasoline, diesel, liquefied petroleum gas, asphalts and fuel oil etc.) above designated size also demonstrated an overall escalating trend. As for consumption, the total consumption of refined oil of Maoming City amounted to approximately 4,460,000 tonnes during the 13th Five-Year period, representing an average annual growth of approximately 8.2% and a significant increase of approximately 41.3% as compared to the 12th Five-Year period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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To diversify its revenue source, the Group started the supply and sales of oil products in 2019 leveraging on its knowledge and network in the petrochemical industry gained through years' of port operation and bulk cargo handling. Revenue from sales of oil products mounted to approximately RMB38.6 million in 2019 and represented around 30% of the Group's total revenue of that year. From 2019 to 2021, the Group recorded surging revenue from sales of oil products. In 2021, an astonishing year-on-year surge of around 180% was recorded, and revenue from sales of oil products exceeded that from cargo handling and ancillary services.

As advised by the Directors, while the Group is endeavouring to create Shareholders' value through operating its principal business activities including the provision of bulk and general cargo uploading and unloading services by providing competitive services in the port terminal services industry, it will also strive to expand the sales of oil products in order to further lower the unit costs through economies of scale and improve inventory management through bulk purchase.

### *Information on Maoming Tianyuan*

As extracted from the Letter from the Board, Maoming Tianyuan is a company established in the PRC with limited liability and is principally engaged in, amongst others, the distribution of refined oil, heavy oil, fuel oil, coal and liquid chemicals. Together with its affiliates, Maoming Tianyuan also engages in the production and processing of petroleum products and petrochemical products.

We understand that Maoming Tianyuan commenced business back in 1996. It has developed into a reputable petrochemical enterprise of Maoming City, with well-established network of sales channels of processed petroleum products and petrochemical products and an extensive customer base in Guangdong Province and the southwest region of mainland China. To satisfy its business requirements, Maoming Tianyuan has been procuring oil products from different renowned suppliers in the PRC, including China National Offshore Oil Corporation, for production and processing into petroleum products and petrochemical products to be sold to the ultimate customers.

The table below depicts the key audited financial information of Maoming Tianyuan for the two years ended 31 December 2021 and 2020 as extracted from its 2021 accountants' report:

	<b>For the year ended 31 December 2021 RMB</b>	<b>For the year ended 31 December 2020 RMB</b>
Revenue	7,717,618,124	4,257,934,892
Net profit	156,452,103	96,958,321

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at 30 June 2022, the unaudited net asset value and cash on hand of Maoming Tianyuan were approximately RMB1.6 billion and RMB574.1 million, respectively.

As depicted by the above table, Maoming Tianyuan recorded total revenue and net profit of approximately RMB7.7 billion and RMB156.5 million in 2021, representing a substantial jump of approximately 81.3% and 61.4%, respectively, as compared to the prior year. As represented by the management of Maoming Tianyuan, sales income from processed petroleum products and petrochemical products accounted for more than 90% of its total revenue. During the years under review, the volume of sales of its processed petroleum products and petrochemical products rose substantially by approximately 70.4% from around 980,000 tonnes in 2020 to around 1,670,000 tonnes in 2021. As said, Maoming Tianyuan has been procuring oil products from different renowned suppliers in the PRC to satisfy its business requirements. Its total procurement value reached RMB7 billion in 2021, of which around US\$60 million (equivalent to around RMB380 million) came from imported oil products.

### *Reasons for the Trade Framework Agreement*

As referred to in the Letter from the Board, as Maoming Tianyuan has been operating in the petrochemical industry for over 25 years, it has a well-established network of sales channels of processed petroleum products and petrochemical products with an extensive customer base in Guangdong Province and the southwest region of mainland China. Because of the high demand for Maoming Tianyuan's processed petroleum products and petrochemical products from its customers, to satisfy such demands, Maoming Tianyuan's demand for the Oil Products is high.

On the other hand, as the Company is one of the operators of the Port of Maoming and possesses oil tanks for storage and geographical advantage of the offloading/storage location, Maoming Tianyuan will be able to save time in delivering the goods and money on logistics related expenses including transportation expenses and certain delay charges. The Group will arrange procurement and offloading the oil products from various suppliers outside China. When the Oil Products procured by Maoming Tianyuan are delivered to the terminals operated by the Group at the Port of Maoming, offloading and/or storage can be handled by the Group with priority as value-added services.

By cooperating with Maoming Tianyuan, the Group will be able to secure a sizeable customer for the Oil Products. Whilst the revenue transactions contemplated under the Trade Framework Agreement would provide a new considerable source of revenue to the Group, the Company believes that the risk of default by Maoming Tianyuan is not high given (i) the long business history, sound financial performance and solid asset position of Maoming Tianyuan; and (ii) payment shall be made before delivery of the Oil Products pursuant to the Trade Framework Agreement. Furthermore, by supplying Oil Products to Maoming Tianyuan which has an extensive customer base, the Company may be able to build up its own profile and

boost its reputation among other existing and potential independent customers, not to mention enjoying the benefit from possible lowering of unit costs through economies of scale and improved inventory management through bulk purchase.

Taking into account the above reasons for the Trade Framework Agreement, we concur with the Directors that the entering into of the Trade Framework Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

## **2. Principal terms of the Trade Framework Agreement**

A summary of the principal terms of the Trade Framework Agreement dated 1 November 2022 is set out as follows:

### ***Parties***

The Company and Maoming Tianyuan.

### ***Nature of transaction***

The Company agreed to sell, and Maoming Tianyuan agreed to purchase, the Oil Products on normal commercial terms or better.

### ***Term***

Three years from 1 January 2023 to 31 December 2025.

### ***Pricing policy and payment terms***

Pursuant to the Trade Framework Agreement, the sale of Oil Products 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).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 Latest Practicable Date, there were 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 with reference to (i) the fixed price list (the “**Fixed Price List**”) which is formulated by the Group based on the international and domestic market prices of crude oil, amongst others, and the actual transaction prices quoted by the Group to independent customers; and (ii) other terms including quality and freight rate.

As at the Latest Practicable Date, there were no applicable government (central and local governments) tariffs in relation to fuel oil and diluted asphalts. As such, the prices of fuel oil and diluted asphalts are determined with reference to (i) the average price of the relevant petroleum products announced weekly by the NDRC; (ii) the Fixed Price List which is formulated by the Group based on the international and domestic market prices of fuel oil and diluted asphalts, amongst others, and the actual transaction prices quoted by the Group to independent customers; and (iii) other terms including quality and freight rate.

The unit price paid by Maoming Tianyuan shall not be lower than the unit price of the Oil Products with comparable types and quantities which are sold by the Company or its subsidiaries to other independent customers during the relevant period.

### *Payment terms*

Payment is made before delivery of the Oil Products. After the Company has received payment from Maoming Tianyuan, the Company will provide the Oil Products 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.

We have discussed with the Directors regarding the aforesaid pricing policy and payment terms. Regarding pricing policy, we noted that the selling price of the Oil Products offered by the Company to Maoming Tianyuan will basically 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 Oil Products; and (iii) the actual transaction prices quoted by the Group to independent customers. To this end, we understand from the Directors that designated personnel of the Group’s business and finance department will formulate the Fixed Price List for different Oil Products based on the three references as just mentioned on a weekly basis, and such Fixed Price List will be applicable to all customers for Oil Products of the Group. Given that the Fixed Price List is formulated



with reference to objective market prices and is equally applicable to all customers of the Group, we are of the view that this is a fair and reasonable pricing policy for the Oil Products.

Furthermore, for our due diligence purpose, we have requested and reviewed 13 historical contracts/invoices regarding the supply of Oil Products by the Group to independent customers from 2020 to 2022 (the “**Independent Trading Record**”) and noted that the prices offered by the Group were in accordance with the Fixed Price List. Pursuant to the Trade Framework Agreement, the unit price paid by Maoming Tianyuan for Oil Products shall not be lower than the unit price of the Oil Products with comparable types and quantities which are sold by the Company or its subsidiaries to other independent customers during the relevant period. We are of the view that such provision may further ensure the fairness and reasonableness of the pricing policy for the Oil Products.

With regard to payment terms, we noted that pursuant to the Trade Framework Agreement, payment shall be made before delivery of the Oil Products, and methods of payment include but are not limited to cash, acceptance bills, cheques, letters of credit, etc. We concur with the Directors that such payment terms would mitigate the risk of default by Maoming Tianyuan and thus would provide better protection to the Company. In addition, we noted from our review of the Independent Trading Record that such payment terms were common in transactions of the Company with its independent customers.

In view of the foregoing, we consider that the terms of the Trade Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **3. The proposed annual caps**

The proposed annual caps for the transactions contemplated under the Trade Framework Agreement are RMB500 million, RMB650 million and RMB850 million for the three years ending 31 December 2023, 2024 and 2025, respectively.

In assessing the fairness and reasonableness of the proposed annual caps, we have considered the following factors:

#### ***The fast-growing business and future expansion plan of Maoming Tianyuan***

As highlighted under the sub-section headed “Information on Maoming Tianyuan” of this letter of advice, since commencement of business in 1996, Maoming Tianyuan has developed into a reputable petrochemical enterprise of Maoming City, with well-established network of sales channels of processed petroleum products and petrochemical products and an extensive customer base in Guangdong Province and the southwest region of mainland China. In 2021, the total revenue and net profit of Maoming Tianyuan jumped substantially by approximately 81.3% and 61.4%, respectively, to approximately RMB7.7 billion and RMB156.5 million. Sales income from processed petroleum products and petrochemical products accounted for more than 90% of its total revenue. During the years under review, the volume of sales of its processed petroleum products and petrochemical products rose substantially by approximately 70.4% from around 980,000 tonnes in 2020 to around 1,670,000 tonnes

in 2021. Moreover, the total procurement value of Maoming Tianyuan reached RMB7 billion in 2021, of which around US\$60 million (equivalent to around RMB380 million) came from imported oil products.

Upon our further enquiry, we were advised that Maoming Tianyuan has recently set up a sales team in Yunnan Province and is planning to actively expand its customer base over there. Hence, the management of Maoming Tianyuan estimated that its future procurement for Oil Products will rise significantly in order to satisfy the additional demand for processed petroleum products and petrochemical products from its new customers, and the Company will be one of its suppliers of the Oil Products. The projected demand for Oil Products from Maoming Tianyuan is estimated to be at approximately 1.5 million tonnes, 2.0 million tonnes and 2.5 million tonnes for the three years ending 31 December 2023, 2024 and 2025, respectively.

Judging from (a) that the proposed annual caps for the three years ending 31 December 2025 of RMB500 million, RMB650 million and RMB850 million represent (i) approximately 7.1%, 9.3% and 12.1%, respectively, of the total procurement value of Maoming Tianyuan of approximately RMB7 billion in 2021; and (ii) approximately 6.8%, 8.8% and 11.5%, respectively, of the total cost of sale of Maoming Tianyuan of approximately RMB7.4 billion in 2021; and (b) the robust business growth of Maoming Tianyuan in recent years and its future expansion plan, the cap amounts proposed and their annual increment are acceptable.

***Possible revitalization of the manufacturing industry during the post-pandemic period***

From the latest statistics released by the National Bureau of Statistics of China in September 2022, the PRC's manufacturing industry has continued to develop at a fast pace, which provided strong supports to the advancement of the PRC's economy. From 2013 to 2021, the average added value of industrial output rose steadily by approximately 6.1% on an annual basis. In 2021, the PRC's manufacturing industry expanded by approximately 9.6% as compared to the prior year, driving the overall economic growth by approximately 3.1% and represented approximately 32.6% of the PRC's total gross domestic products in 2021.

Against the backdrop of such growing momentum, the scale of the PRC's manufacturing industry has remained the largest globally since surpassing the United States of America for the first time in 2010. Based on the data released by the World Bank, the PRC's added value of industrial output accounted for approximately 28.5% of the world's industrial output in 2020.

In the early 2020, the Covid-19 pandemic was rampant across the world and hit the world economy. The PRC was one of the countries to gradually recover. In 2021, revenue of the manufacturing industry contributed by enterprises above designated size jumped by approximately 18.0% as compared to the prior year; whereas the total profit also jumped by approximately 27.2% as compared to the prior year. During the period from January to August 2022, the added value of industrial output contributed



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

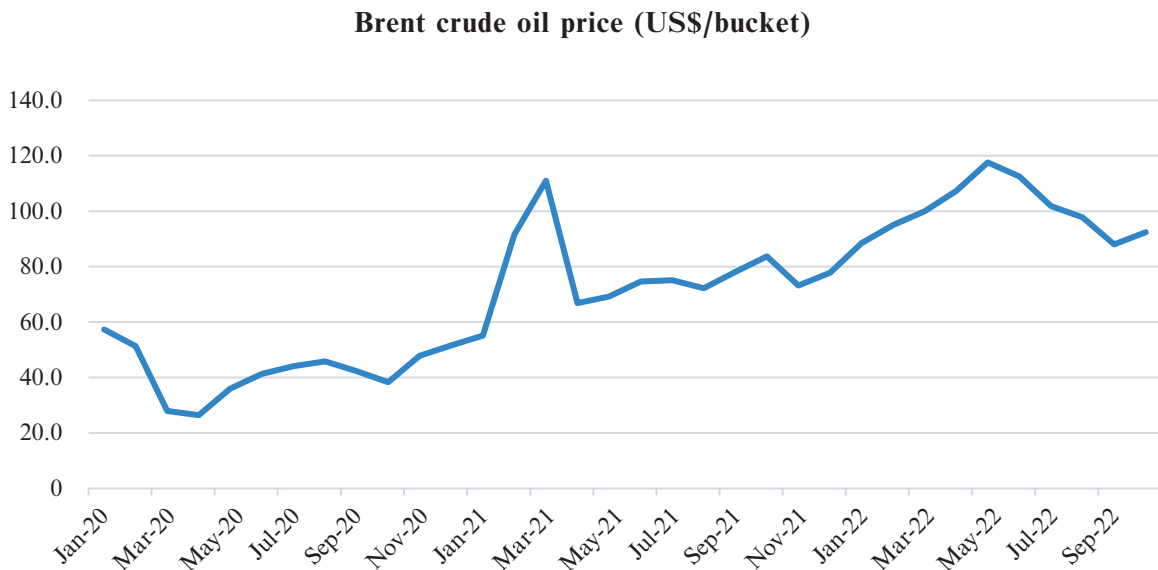
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by enterprise above designated size further jumped by approximately 3.6% year-on-year. Moreover, the increase in investment amount within the manufacturing industry was approximately 10.5%.

Petroleum products and petrochemical products are essential form of energy for use in the production process. Demand for petroleum products and petrochemical products would therefore rise in alignment with the possible revitalization of the manufacturing industry during the post-pandemic period. The positive industry prospects may further substantiate the reasonableness of the proposed annual caps.

### *The fluctuating oil prices*

The charts below illustrate the movement of market prices of various Oil Products (namely crude oil, fuel oil and asphalts) from 2020 to October 2022:

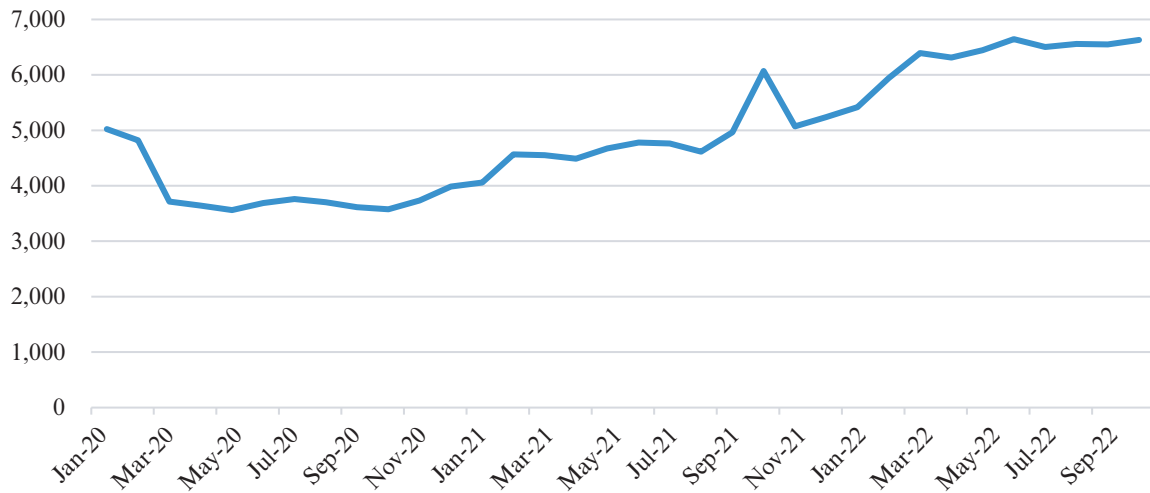


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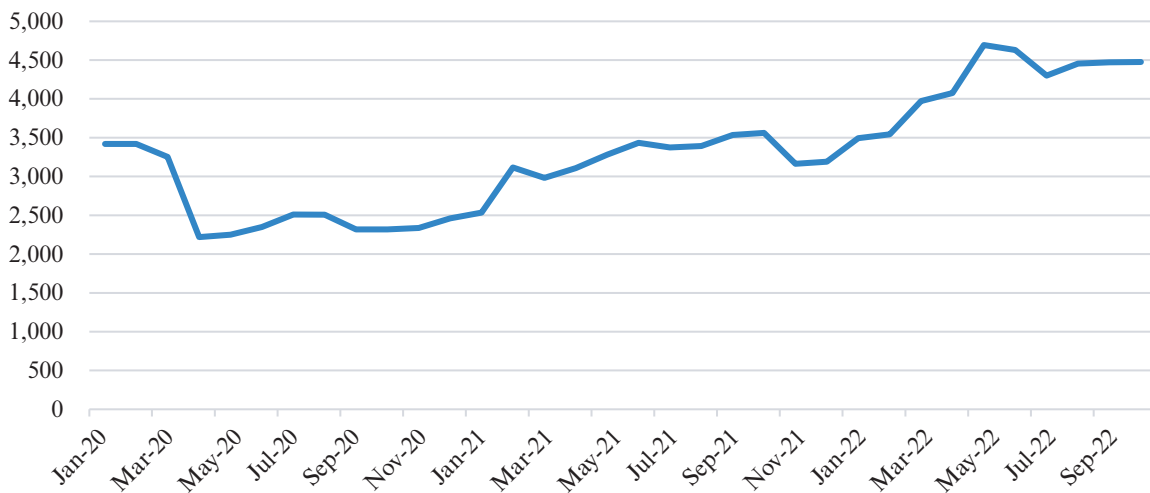
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Market price of fuel oil (RMB/tonne)



Market price of asphalts (RMB/tonne)



As illustrated by the above charts, the market prices of various Oil Products have been soaring noticeably from 2020 to 2022. The price movement of crude oil, fuel oil and asphalts ranged widely from US\$25 per bucket to US\$118 per bucket, RMB3,500 per tonne to RMB6,700 per tonne and RMB2,200 per tonne to RMB4,700 per tonne, respectively. Such steep price fluctuations suggest that it is reasonable for the Company to allow for buffer when setting the proposed annual caps to cater for any unforeseeable volatile price fluctuations of the Oil Products.

*The expected benefits to the Group*

As highlighted under the sub-section headed “Business and financial overview of the Group” of this letter of advice, the Group benefits from various major industries (including petroleum refining) in Maoming City, which is one of the largest petrochemical production bases in the PRC. According to the Maoming 14th Five-Year Plan (茂名市十四五規劃), the petrochemical industry will be enhanced amid the city’s planned development of the related value chain. Firstly, the scale and structure of the petrochemical industry will be enlarged and optimized. Secondly, the applications of petrochemical products will be broadened by means of combining the upstream and midstream petrochemical industry chains and extending the midstream and downstream petrochemical industry chains. With reference to the statistics released by Maoming City Statistical Department, the city’s total industrial added value of the petroleum processing industry increased year-on-year by approximately 8.6%, 6.7%, 11.1% and 1.6% from 2018 to 2021. Over the past few years, the city’s output of major oil products (including gasoline, diesel, liquefied petroleum gas, asphalts and fuel oil etc.) above designated size also demonstrated an overall increasing trend. As for consumption, the total consumption of refined oil of Maoming City amounted to approximately 4,460,000 tonnes during the 13th Five-Year period, representing an average annual growth of approximately 8.2% and a significant increase of approximately 41.3% as compared to the 12th Five-Year period.

To diversify its revenue source, the Group started the supply and sales of oil products in 2019 leveraging on its knowledge and network in the petrochemical industry gained through years’ of port operation and bulk cargo handling. Revenue from sales of oil products mounted to approximately RMB38.6 million in 2019 and represented around 30% of the Group’s total revenue of that year. From 2019 to 2021, the Group recorded surging revenue from sales of oil products. In 2021, an astonishing year-on-year surge of around 180% was recorded, and revenue from sales of oil products exceeded that from cargo handling and ancillary services. By supplying Oil Products to Maoming Tianyuan, the Company may be able to build up its own profile and boost its reputation among other existing and potential independent customers, not to mention enjoying the benefit from possible lowering of unit costs through economies of scale and improved inventory management through bulk purchase.

Pursuant to the Trade Framework Agreement, the unit price paid by Maoming Tianyuan shall not be lower than the unit price of the Oil Products with comparable types and quantities which are sold by the Group to other independent customers during the relevant period. In this relation, based on our review of the published annual reports of the Company, we noted that the gross profit margin of the sales of oil products segment was approximately 4.9%, 5.9% and 5.2% for the two years ended 31 December 2020, 2021 and the six months ended 30 June 2022, respectively. Furthermore, pursuant to the Trade Framework Agreement, payment shall be made before delivery of the Oil Products. That is to say, the Trade Framework Agreement would allow the Company to broaden its income source with stable profit margin and relatively low risk.

*Mitigation of the concentration risk*

As stated above, after commencement of the Group's business in the supply and sales of oil products in 2019, such new business has been advancing well. Having secured Maoming Tianyuan as a large customer of the Group with a high demand for the Oil Products, it is expected that the Group would be able to (i) lower the unit costs through economies of scale and improve inventory management through bulk purchase; and (ii) promote its brand name as one of the leading suppliers of various raw materials and oil products in Maoming City, thereby expanding its customer base.

Meanwhile, the Company is expanding and enhancing its sales and marketing department which will facilitate the Company to develop relationships and obtain more orders from other new independent customers. The Company has already hired a senior management personnel as general manager of one of the Company's subsidiaries to enhance the sales and marketing function. Upon review of his personal profile which we have requested and obtained from the Company, we noted that the new hire possesses over 20 years of experience in sales and management in petroleum products and petrochemical products, and has established and accumulated a vast network for marketing purposes. As such, even though the projected sales of the Oil Products to Maoming Tianyuan would constitute a significant portion of revenue of the Group based on its existing revenue figures which may contribute to the concentration risk of the Company, the Company is also actively developing its business in such a way which will mitigate this risk in the mid- to long-term. The transactions with Maoming Tianyuan under the Trade Framework Agreement will be a stepping stone for the Group to further develop its oil trading business.

Pursuant to the Trade Framework Agreement, payment shall be made before delivery of the Oil Products. Hence, the risk of default by Maoming Tianyuan is not high. Moreover, the Group would not be required to devote substantial additional cash flow to operate the relevant transactions and thus, the transactions with Maoming Tianyuan would not affect the Group's other existing business and business of supply and sales of oil products to independent customers which have been demonstrating an overall growing momentum in the past few years.

Having considered that, as represented by the Directors, (i) the Group commenced the business of supply and sales of oil products to independent customers in 2019 and such business has been advancing well, the Group has gained sufficient fundamental industry experience to further expand such business development and its client base; (ii) the Company is building up a sales and marketing team and will strengthen it along with the expansion plan; (iii) as the Company imports different oil products in large volume, it will be able to lower prices and thereby attracting new independent customers in the future; (iv) the Company can also leverage on Maoming Tianyuan's reputation to promote its brand name and thereby attracting new independent customers; and (v) the Group shall further explore its existing network of independent customers as some of these customers also purchase oil products from other suppliers, we concur with the Directors the possible concentration of sales to Maoming Tianyuan would likely be reduced after the Company further expands its market share in trading of oil products in the coming years.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In relation to the above, we further noted from our independent research that (i) Maoming City is one of the largest petrochemical production bases in the PRC and is famous for its mineral resources which include oil shale, kaolinite and jade; (ii) according to the Maoming 14th Five-Year Plan (茂名市十四五規劃), the petrochemical industry will be enhanced amid the city's planned development of the related value chain; and (iii) both the production and consumption of the oil industry of Maoming City have been prospering in the past few years. Accordingly, there is likely to be plenty of opportunities for the Company to identify new independent customers and expand its customer base. As advised by the Directors, the Group is currently actively discussing with its existing independent customers which may also purchase the oil products as well as potential new independent customers, conducting business meetings to understand customers' specifications, timetable and pricing requirements. For our due diligence purpose, we have obtained the target client list of the Group for supply and sales of oil products.

In light of the above factors, we are of the view that the proposed annual caps for the transactions contemplated under the Trade Framework Agreement for the three years ending 31 December 2023, 2024 and 2025 are fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Internal control and compliance with the Listing Rules**

As referred to in the Letter from the Board, the Group has formulated a series of internal control measures to supervise the transactions contemplated under the Trade Framework Agreement.

In addition, the Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the total amounts of the transactions contemplated under the Trade Framework Agreement must be restricted by the proposed annual caps for the years concerned under the Trade Framework Agreement; (ii) the terms of the Trade Framework Agreement (together with the proposed annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Trade Framework Agreement (together with the proposed annual caps) must be included in the Company's subsequent published annual reports and financial accounts. Moreover, as stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under the Trade Framework Agreement are carried out in accordance with the pricing policies of the Company, and the proposed annual caps are not being exceeded. In the event that the total amounts of the transactions contemplated under the Trade Framework Agreement exceed the proposed annual caps, or that there is any material amendment to the terms of the Trade Framework Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With the internal control measures of the Group as well as the aforesaid stipulated requirements for continuing connected transactions of the Listing Rules in place, the transactions contemplated under the Trade Framework Agreement will be monitored and thus the interest of the Independent Shareholders would be safeguarded.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Trade Framework Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the entering into of the Trade Framework Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Trade Framework Agreement, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**VBG Capital Limited**  
**Doris Sing**  
*Managing Director*

*Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 17 years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (I) Directors' and chief executives' interests and short positions in securities of the Company and its associated corporations

As at the Latest Practicable Date, interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are as follows:

#### *Interests in the Company:*

Name of Directors	Capacity/Nature of Interests	Number of Shares interested/held	Approximate percentage of interests
Mr. Yang Jinming	Interest in a controlled corporation (Note 1)	423,000,000	70.5%
Mr. Yang Fan	Interest in a controlled corporation (Note 2)	27,000,000	4.5%

#### *Notes:*

- Mr. Yang Jinming beneficially owns 100% of the issued share capital of Sino Ford Enterprises Limited, which owns 423,000,000 shares of the Company. Therefore, Mr. Yang is deemed, or taken to be, interested in such shares held by Sino Ford Enterprises Limited for the purpose of the SFO. Mr. Yang is the sole director of Sino Ford Enterprises Limited.
- Mr. Yang Fan beneficially owns 100% of the issued share capital of Fugang Holdings Limited, which owns 27,000,000 shares of the Company. Therefore, Mr. Yang Fan is deemed, or taken to be, interested in such shares held by Fugang Holdings Limited for the purpose of the SFO. Mr. Yang Fan is the sole director of Fugang Holdings Limited.



*Interests in associated corporation of the Company:*

Name of Directors	Name of associated corporation	Capacity	Number of shares held	Approximate percentage of interests
Mr. Yang Jinming	Sino Ford Enterprises Limited	Beneficial owner	1	100%

Save as disclosed above and as far as is known to the Directors, as at the Latest Practicable Date, none of the Directors nor chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above and as far as is known to the Directors, none of the Directors was a director or an employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(II) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/ Nature of Interests	Number of Shares interested/held	Approximate percentage of interests
Sino Ford Enterprises Limited	Beneficial owner	423,000,000	70.5%
Ms. Zhang Dan	Interest of spouse ( <i>Note</i> )	423,000,000	70.5%

*Note:* Ms. Zhang Dan is the spouse of Mr. Yang Jinming, who beneficially owns 100% of the issued share capital of Sino Ford Enterprises Limited, which in turn owns 423,000,000 Shares. Therefore, Ms. Zhang Dan is deemed, or taken to be, interested in such Shares held by Mr. Yang Jinming through his Sino Ford Enterprises Limited for the purpose of the SFO.

Save as disclosed above and as far as is known to the Directors, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company as at the Latest Practicable Date.



### 3. DIRECTORS' INTEREST IN COMPETING BUSINESS

During year 2019, Mr. Yang notified the Group in writing that existing oil processing business (“**Tianyuan Petrochemical’s Business**”) of Tianyuan Petrochemical may compete with the supply and sales of oil products business of our Group started in second half of 2019, and enquired if our Group would exercise the right of first refusal under the deed of undertaking entered into among the Company, Mr. Yang and Sino Ford Enterprises Limited on 10 May 2018, to take up Tianyuan Petrochemical’s Business.

After receipt of the written notice given by Mr. Yang, the Directors (including all independent non-executive Directors, excluding Mr. Yang) were of the view that, as the Group does not engage in production and/or processing of oil products, and Tianyuan Petrochemical’s Business does not involve trading of oil products, Tianyuan Petrochemical’s Business is not the same/similar, or in competition with or likely to be in competition with the supply and sales of oil products business of our Group, and would not exercise the right of first refusal to take up Tianyuan Petrochemical’s Business. In addition, Mr. Yang and Tianyuan Petrochemical agreed and undertook to report to the Board the operation of Tianyuan Petrochemical’s Business every half year and provide any information as is reasonably required by the Board for the Company to understand if Tianyuan Petrochemical is carrying out any business that is competing or may compete with our Group.

In light of the above and to the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, none of the Directors or their respective close associate is or was interested in any business, apart from the Group’s business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group’s business.

### 4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSET

As at the Latest Practicable Date, other than (i) the leasing of an office to a subsidiary of the Group by Mr. Yang for a monthly rent of HK\$32,000 from January 2021 to December 2023; and (ii) the leasing of oil tanks for a subsidiary of the Group by Tianyuan Petrochemical which amounted to RMB341,000 for the year ended 31 December 2021 and RMB283,000 (unaudited) for the six months ended 30 June 2022, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, other than the transactions disclosed in the paragraph above and the provision of uploading and unloading services to Tianyuan Petrochemical and Maoming Tianyuan which amounted to RMB5,056,000 and RMB4,582,000 for the year ended 31 December 2021 respectively and RMB2,026,000 (unaudited) and RMB4,171,000 (unaudited) for the six months ended 30 June 2022) respectively, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the businesses of the Group.

## 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation) between any of the Directors and any member of the Group.

## 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

## 7. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the Independent Financial Advisor who has given its advice for inclusion in this circular:

<b>Name</b>	<b>Qualification</b>
VBG Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Advisor has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and reference to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, the Independent Financial Advisor had no shareholding in the Company or any other member of the Group or right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

As at the Latest Practicable Date, the Independent Financial Advisor had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2021 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased to.

The letter and recommendations from the Independent Financial Advisor are set out on pages 21 to 36 in this circular and are given for incorporation in this circular.

**8. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tianyuangroupholdings.com](http://www.tianyuangroupholdings.com)) for a period of 14 days from the date of this circular:

- (a) the Trade Framework Agreement;
- (b) the letter from the Independent Financial Advisor, the text of which is set out on pages 21 to 36 of this circular;
- (c) the written consent from the Independent Financial Advisor referred to in the above paragraph headed “7. Expert’s Qualification and Consent” in this Appendix; and
- (d) this circular.



## 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)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Tian Yuan Group Holdings Limited (the “**Company**”) will be held at 3:00 p.m. on Monday, 16 January 2023 at Conference Room, 13th Floor, Academic Exchange Center, Intersection of Panzhou Avenue and Yingbin Avenue, Dianhai Street, Dianbai District, Maoming City, Guangdong Province, People’s Republic of China, to consider and, if thought fit, to pass with or without amendments, the following resolution:

### AS ORDINARY RESOLUTION

**“THAT:**

- (i) the trade framework agreement (the “**Trade Framework Agreement**”) entered into among the Company and Maoming Tianyuan Trade Development Company Limited\* (茂名市天源商貿發展有限公司) on 1 November 2022, a copy of which has been produced to the EGM marked “A” and initialled by the chairman of the Meeting for identification purposes, and the relevant transactions and annual caps contemplated thereunder as set out in the circular of the Company dated 29 December 2022 be and are hereby confirmed, ratified and approved; and
- (ii) any one or more of the directors of the Company be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Trade Framework Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 29 December 2022

\* *For identification purpose only*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. Any member entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy needs not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company on 29 December 2022 not less than 48 hours before the time for holding the meeting or adjourned meeting. Completion and return of the form of proxy shall not preclude members from attending and voting at the Meeting and in such event, the instrument appointing to proxy shall be revoked.
3. For the purpose of identifying shareholders of the Company who are entitled to attend the Meeting, the register of members of the Company will be closed from Wednesday, 11 January 2023 to Monday, 16 January 2023 (both dates inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for attending the Meeting, all transfers, accompanied by the relevant share certificates, have to be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, 10 January 2023.
4. Where there are joint holders of any share, any one of such holders may vote at the Meeting, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holders are present at the Meeting in person or by proxy, the person so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect of it.
5. The votes at the above mentioned meeting will be taken by poll.
6. Due to the recent development of the epidemic Coronavirus Disease 2019, the Company will implement additional precautionary measures at the Extraordinary General Meeting including, without limitation:
  - compulsory body temperature check
  - compulsory wearing of surgical face mask
  - no distribution of corporate gifts and no serving of refreshments

Any person who does not comply with the precautionary measures may be denied entry into the Meeting venue. The Company wishes to advise Shareholders that you may appoint the Chairman of the Meeting as your proxy to vote on the relevant resolutions at the Meeting as an alternative to attending the Meeting in person.