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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 PROPOSED REVISION OF ANNUAL CAPS AND EXTENSION OF TERM

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



**建泉融資有限公司
VBG Capital Limited**

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 12 to 13 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 14 to 27 of this circular.

A notice convening the EGM to be held at Master Golf Zhuhai Zhuxiandong Club, 2nd Floor, North Side, No. 32 Zhuxian Road, Xiangzhou District, Zhuhai, the People's Republic of China, on Monday, 7 September 2020 at 3:00 p.m. is set out on pages 33 to 35 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 and the Company at www.tianyanguroupholdings.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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong 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.

14 August 2020

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“China” or “PRC”	The People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, and Macau Special Administrative Region
“close associate(s)”	has the meaning ascribed to it in 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)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Master Golf Zhuhai Zhuxiandong Club, 2nd Floor, North Side, No. 32 Zhuxian Road, Xiangzhou District, Zhuhai, the People’s Republic of China, on Monday, 7 September 2020 at 3:00 p.m. for the Independent Shareholders to consider and, if thought fit, to approve the resolution on the Supplemental Framework Agreement and the revised annual caps thereunder
“Framework Agreements”	the Tianyuan Petrochemical Framework Agreement and the Maoming Tianyuan Framework Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“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 Supplemental Framework Agreement and the revised annual caps thereunder
“Independent Financial Advisor”	VBG Capital Limited, being a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, which is the independent financial advisor appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Framework Agreement and the revised annual caps thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolution on the Supplemental Framework Agreement and the revised annual caps thereunder at the EGM, being all Shareholders other than Mr. Yang and his associates
“Latest Practicable Date”	10 August 2020, 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 on 27 November 1996 and held as to 95% by Mr. Yang
“Maoming Tianyuan Framework Agreement”	the terminal uploading and unloading services framework agreement entered into between Tianyuan, Zhengyuan and Maoming Tianyuan on 13 March 2020
“Mr. Yang”	Mr. Yang Jinming (楊金明), an executive Director, the chairman of the Board, our chief executive officer and one of the Company’s controlling shareholders
“percentage ratios”	has the meaning ascribed to it in the Listing Rules
“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

DEFINITIONS

“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Framework Agreement”	the agreement supplemental to the Framework Agreements entered into between Tianyuan, Zhengyuan, Tianyuan Petrochemical and Maoming Tianyuan on 24 July 2020
“Tianyuan”	Maoming Tianyuan Terminal Operation Company Limited* (茂名市天源碼頭經營有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
“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
“Tianyuan Petrochemical Framework Agreement”	the terminal uploading and unloading services framework agreement entered into between Tianyuan, Zhengyuan and Tianyuan Petrochemical on 13 March 2020
“Tianyuan Terminal”	a terminal operated by Tianyuan and situated at the Shuidong port area of the Port of Maoming
“Zhengyuan”	Maoming Zhengyuan Trade Development Company Limited* (茂名市正源商貿發展有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Zhengyuan Terminal”	a terminal operated by Zhengyuan and situated at the Shuidong port area of the Port of Maoming
“%”	per cent



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:

P.O. Box 1350, Clifton House
75 Fort Street
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

14 August 2020

To the Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
PROPOSED REVISION OF ANNUAL CAPS
AND EXTENSION OF TERM**

INTRODUCTION

The purpose of this circular is to provide you with, among others, (i) details of transactions and revised annual caps under the Supplemental Framework Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent

LETTER FROM THE BOARD

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.

BACKGROUND

Reference is made to the announcements of the Company dated 13 March 2020 and 20 March 2020 in relation to the two Framework Agreements entered into between Tianyuan and Zhengyuan (both being subsidiaries of the Company) with each of Tianyuan Petrochemical and Maoming Tianyuan.

SUPPLEMENTAL FRAMEWORK AGREEMENT

For the reasons as set out in the section headed “Reasons for and Benefits of the Supplemental Framework Agreement” herein below, Tianyuan and Zhengyuan (as service providers) entered into the Supplemental Framework Agreement with Tianyuan Petrochemical and Maoming Tianyuan (as customers) on 24 July 2020.

Save for (i) inclusion of both Tianyuan Petrochemical and Maoming Tianyuan as customers under the same agreement, (ii) the term of the transactions between the said service providers and the said customers will be extended to 31 December 2022, and (iii) the revision to the annual caps for the transactions between the said service providers and the said customers, the terms of the Supplemental Framework Agreement are substantially identical to each of the Framework Agreements, a summary of which is set out as follows:

Date:	24 July 2020 (after trading hours)
Parties:	Tianyuan and Zhengyuan (as service providers); and Tianyuan Petrochemical and Maoming Tianyuan (as customers).
Nature of transaction:	Provision of terminal uploading and unloading services by the service providers to the customers.
Condition precedent:	Effectiveness of the Supplemental Framework Agreement is subject to the Company having complied with applicable laws, regulations and the Listing Rules (including the obtaining of the approval from the Independent Shareholders).

Upon the Supplemental Framework Agreement having become effective, both Framework Agreements will terminate immediately. None of the parties shall have any claim against the other in respect of the Framework Agreements save for any antecedent breach prior to such termination.

LETTER FROM THE BOARD

Term: From the effective date of the Supplemental Framework Agreement to 31 December 2022.

Pricing policy: The fee charged for the provision of terminal uploading and unloading services by the service providers to the relevant customers under the Supplemental Framework Agreement shall be based on a fixed price list set for different types of goods involved in the transactions determined by reference to a matrix of factors, including, among others, cargo type, cargo volume, handling method, market conditions and industry benchmarks. Price adjustment, if necessary, will be made based on the management insight of the market and on the determination of the sales department of the Group. The fixed price list is same for connected persons and independent third parties.

Payment terms: Payment for the services provided by the service providers shall be settled by way of wire transfer or in such other manner as agreed between the relevant service provider and the relevant customer, and the payment shall be made within one month upon the relevant transactions are completed.

Annual caps:

Set out below is the historical transaction amounts for the terminal uploading and unloading services provided by Tianyuan and Zhengyuan to each of Tianyuan Petrochemical and Maoming Tianyuan and the original annual caps under the Framework Agreements:

	Transaction amount for the year ended 31 December 2018 <i>RMB'000</i>	Transaction amount for the year ended 31 December 2019 <i>RMB'000</i>	Transaction amount for the period from 1 January 2020 to 30 June 2020 <i>RMB'000</i>	Original annual caps for the year ending 31 December 2020 <i>RMB'000</i>
Tianyuan Petrochemical	149	6,618	2,511	4,000
Maoming Tianyuan	N/A	N/A	2,767	4,500

LETTER FROM THE BOARD

Pursuant to the Supplemental Framework Agreement, the 2020 annual cap shall be revised and the annual caps for years 2021 and 2022 are agreed as follows:

Annual caps		
For the year ending 31 December		
2020	2021	2022
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
11,000	14,000	17,000

Notes:

1. The above historical transaction amounts and annual caps are all inclusive of value-added tax.
2. The revised annual cap for the year ending 31 December 2020 has included the aggregate transaction amounts under the Framework Agreements.

Basis of Determination of the Annual Caps:

Despite the actual transaction amount under each of the Framework Agreements has not exceeded the original annual cap as at the Latest Practical date, the Board is of the view that the original annual cap for year 2020 will likely be exceeded and it is appropriate to revise the original annual cap and extend the terms of the Framework Agreements via the entering of the Supplemental Framework Agreement after having considered the follow reasons:

Revised annual caps for year ending 31 December 2020

As disclosed in the announcement dated 13 March 2020, the original annual caps for year 2020 under both Framework Agreements are determined with reference to the existing scale and operations of the businesses of the Group, historical transaction amounts, and the anticipated growth and development of businesses and the anticipated demand for the terminal uploading and unloading services.

Since the above estimations was made by the parties before the signing of the Framework Agreements in around March 2020, during which the logistic industry in the PRC was significantly disrupted by the coronavirus epidemic due to the traffic-banning and quarantine measures imposed by the government and the overall economic downturn. As such, Tianyuan Petrochemical and Maoming Tianyuan had adopted a relatively conservative view in the estimation of their respective future businesses and the demands of the Group's terminal loading and unloading services. However, with the swift and effective virus control measures of the government, the epidemic has been gradually contained and the economy of the PRC is expected to be on the trend of recovery. With the gradual resumption of public consumptions and reopening of factories, the needs for energy products including petrochemical products is expected to follow the trend of the economy of the PRC in the second half of year 2020. As such, having considered that as at 30 June 2020, the original annual caps under each of the Tianyuan Petrochemical Framework Agreement and the Maoming Tianyuan Framework Agreement were utilized up to

LETTER FROM THE BOARD

approximately 62.8% and 61.5%, respectively, which indicates there is less than 50% of the annual caps can be utilized for the remaining half of the year. The demand of the terminal service for the year is expected to increase, the Company believes the original annual caps are likely be insufficient for meeting the revised expected transaction amounts for year 2020, and thus the parties agreed to enter into the Supplemental Framework Agreement.

Annual caps for years ending 31 December 2021 and 2022

The annual caps under the Supplemental Framework Agreement for the years ending 31 December 2021 and 2022 are determined with reference to the existing scale and operations of the businesses of the Group, historical transaction amounts, and the anticipated growth and development of businesses and the anticipated demand for the terminal uploading and unloading services of Tianyuan Petrochemical and Maoming Tianyuan based on the current industry environment as per discussed above.

Internal Control Procedures:

To ensure the continuing connected transactions under the Supplemental Framework Agreement will be conducted in accordance with the terms of the agreements and the pricing policies, the Company has adopted the following internal control procedures:

1. When specific transactions under the Supplemental Framework Agreement are conducted, there will be checking to make sure their terms are in line with the terms of the Supplemental Framework Agreement and the price are in line with the fixed price list;
2. 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 Supplemental 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 Supplemental Framework Agreement follow the fixed price list, and report to the management regularly;
3. The Group's management will review the transaction records of the Supplemental Framework Agreement monthly, and will regularly report the status of execution of the transactions under the Supplemental Framework Agreement to the Board;
4. The Company's external auditors will conduct annual review on the transaction amounts and the annual caps of the transactions under the Supplemental Framework Agreement; and
5. The independent non-executive Directors will conduct annual review and make annual confirmation on the transactions under the Supplemental Framework Agreement.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL FRAMEWORK AGREEMENT

In view of Tianyuan Petrochemical and Maoming Tianyuan's expected increase in the demands of the Group's terminal loading and unloading services as discussed in the section headed "Basis of Determination of the Annual Caps" above, it is anticipated the respective original annual cap for year 2020 under the Framework Agreements will not be sufficient to meet with the new expected transaction amount. Besides, as the transactions under the Framework Agreements are in the ordinary and usual course of the business of the Company, the Board is also of the view that extending the term of each of the Framework Agreements could, to a certain extent, guarantee the cooperation and transactions with Tianyuan Petrochemical and Maoming Tianyuan and provide a stable source of income to the Group for the next two financial years. As such, the entering into the Supplemental Framework Agreement is beneficial to the overall business of the Group.

As Mr. Yang is the ultimate beneficial owner of Tianyuan Petrochemical and Maoming Tianyuan and deemed to be materially interested in the Supplemental Framework Agreement, he has abstained from voting on the related resolutions in the relevant Board Meeting. Save for Mr. Yang, none of the Directors has material interests in the Supplemental Framework Agreement and is required to abstain from voting on the relevant Board resolutions.

INFORMATION OF PARTIES TO THE SUPPLEMENTAL FRAMEWORK AGREEMENT

The Group is principally engaged in the provision of uploading and unloading services through operating terminals situated in the Shuidong port area of the Port of Maoming, the PRC. The Company has been diversifying its business to other areas including supply and sales of oil products.

Tianyuan Petrochemical is a company established in the PRC with limited liability which principally engages in the processing and sales of petrochemical products.

Maoming Tianyuan is a company established in the PRC with limited liability which principally engages in storage of petrochemical products and coal, wholesale of refined oil, and import and export trade.

The ultimate beneficial owner of Tianyuan Petrochemical and Maoming Tianyuan is Mr. Yang, he is an executive Director, the chairman of the Board, the chief executive officer and the controlling shareholder of the Company.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Tianyuan Petrochemical is a wholly-owned subsidiary of Maoming Tianyuan, which is in turn owned as to 95% by Mr. Yang. Since Mr. Yang is an executive Director, the chairman of the Board, the chief executive officer and the controlling shareholder of the Company, both Tianyuan Petrochemical and Maoming Tianyuan are connected persons of the Company as they are associates of Mr. Yang. Accordingly, the transactions under the Supplemental Framework Agreement constitute continuing connected transactions.

Given the highest annual cap under the Supplemental Framework Agreement is more than HK\$10,000,000 and the highest applicable percentage ratio calculated with reference to the annual cap is more than 5%, the continuing connected transactions contemplated under the Supplemental Framework Agreement are subject to reporting, announcement, annual review requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 revised annual caps under the Supplemental Framework Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save and except for Mr. Yang and his associates, which 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, will abstain from voting on the resolution in relation to the transactions and revised annual caps under the Supplemental Framework Agreement at the EGM as a result of having material interests therein; no other Shareholder is required to abstain from voting on the said ordinary resolution at the EGM. The said ordinary resolution proposed to be approved at the EGM will be taken by poll.

A notice convening the EGM is set out on pages 33 to 35 of this circular. The EGM will be held at Master Golf Zhuhai Zhuxiandong Club, 2nd Floor, North Side, No. 32 Zhuxian Road, Xiangzhou District, Zhuhai, the People's Republic of China, on Monday, 7 September 2020 at 3:00 p.m., at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the transactions and the revised annual caps under the Supplemental 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, 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.

LETTER FROM THE BOARD

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 revised annual caps under the Supplemental 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)

14 August 2020

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
PROPOSED REVISION OF ANNUAL CAPS
AND EXTENSION OF TERM**

We refer to the circular of the Company dated 14 August 2020 (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 revised annual caps under the Supplemental 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 revised annual caps under the Supplemental Framework Agreement and the advice of the Independent Financial Advisor in relation thereto as set out on pages 14 to 27 of the Circular, we consider that the terms of the transactions under the Supplemental Framework Agreement are on normal commercial terms, and the revised annual caps under the Supplemental 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 Supplemental Framework Agreement is in ordinary and usual course of business of the Company.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 Supplemental Framework Agreement.

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

Mr. Pang Hon Chung

Professor Wu Jinwen

Mr. Huang Yaohui

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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 Supplemental Framework Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.



建泉融資有限公司
VBG Capital Limited

18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

14 August 2020

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS PROPOSED REVISION OF ANNUAL CAPS AND EXTENSION OF TERM

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 Supplemental Framework Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 14 August 2020 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.

References are made to the announcements of the Company dated 13 March 2020 and 20 March 2020 in relation to the two Framework Agreements entered into among Tianyuan and Zhengyuan (both being subsidiaries of the Company) and each of Tianyuan Petrochemical and Maoming Tianyuan. On 24 July 2020, Tianyuan and Zhengyuan (as service providers) entered into the Supplemental Framework Agreement with Tianyuan Petrochemical and Maoming Tianyuan (both as customers). Save for (i) the inclusion of both Tianyuan Petrochemical and Maoming Tianyuan as customers under the same agreement; (ii) the extension of the term of the transactions from 31 December 2020 to 31 December 2022; and (iii) the revision to the annual caps for the transactions, the terms of the Supplemental Framework Agreement are substantially identical to those of the Framework Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

According to the Letter from the Board, the transactions contemplated under the Supplemental 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 under Chapter 14A of the Listing Rules.

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 Supplemental Framework Agreement (including the annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the transactions contemplated under the Supplemental Framework Agreement are in the interests of the Company and the Shareholders as a whole and are 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 Supplemental 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.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Supplemental 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 announcements regarding the Framework Agreements and the Supplemental Framework Agreement, and 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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, Tianyuan Petrochemical, 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 Supplemental 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 annual caps under the Supplemental 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 2022, and they do not represent forecasts of revenues or costs to be recorded from the Supplemental Framework Agreement. Consequently, we express no opinion as to how closely the actual revenues and costs to be incurred under the Supplemental Framework Agreement will correspond with the annual caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Supplemental Framework Agreement

Information on the Group

The Group's principal business

The Group is principally engaged in the operation of two terminals, namely the Tianyuan Terminal and the Zhengyuan Terminal, situated in the Shuidong port area of the Port of Maoming City, Guangdong Province, the PRC (the “**Maoming Port**”), and has been diversifying its business into other areas including supply and sales of oil products. The two terminals operated by the Group are open to the public and the major services that they offer include:

- (i) Bulk cargo uploading and unloading services: the Tianyuan Terminal and the Zhengyuan Terminal are relatively adaptive and are able to handle a variety

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

of non-containerised bulk cargo, such as coal, quartz sand, oil products, grains, asphalt and kaolinite as well as a small portion of break bulk cargo and neo-bulk cargo; and

- (ii) Related ancillary value-added port services, which mainly include storage services at oil tanks and grain barns as well as lease of shovel trucks.

The Group has been granted sea area use rights over an aggregate area of approximately 9.6 hectares at the Maoming Port, which is a gateway to Southwest China and Southeast Asian countries. The Maoming Port was approved as one of the ports open to foreign vessels, cargo and nationals in June 1993. Both the Tianyuan Terminal and the Zhengyuan Terminal have convenient access to the comprehensive transportation network in Maoming City, including (i) railways such as the Sanshui-Maoming Railway, the Hechun-Maoming Railways, the Luoyang-Zhanjiang Railway and the Liuzhou-Zhanjiang Railway; and (ii) State Highway 207, State Highway 325 and the Guangzhou-Zhanjiang Highway, connecting Maoming City not only with cities in the Pearl River Delta but also other cities in the PRC. Such comprehensive transportation network enables combined transport logistics, which in turn drives the throughput of the Tianyuan Terminal and the Zhengyuan Terminal and allows the Group to serve customers located across the PRC.

For the year ended 31 December 2019, the Group's revenue from provision of uploading and unloading services at the Tianyuan Terminal and the Zhengyuan Terminal increased by approximately 5.1% as compared to the prior year to approximately RMB81.0 million.

The Group's existing facilities and its expansion plan

The following table illustrates the existing scale and operation of business of the Tianyuan Terminal and the Zhengyuan Terminal with reference to the information provided by the Company:

	Number of berths	Quay length	Water depth	Site area	Maximum docking capacity
The Tianyuan Terminal	2	230 metres & 110 metres	11.55 metres & 7.50 metres	108,812 square metres	30,000 deadweight tonnes (DWTs) & 5,000 DWTs
The Zhengyuan Terminal	1	244.5 metres	8.50 metres	156,558 square metres	10,000 DWTs

As part of the Group's development plan in anticipation of increasing market demand for terminal services at the Maoming Port, the Group completed the construction of a new phase of the Zhengyuan Terminal in the first quarter of 2019. A testing and trial run period has commenced and is expected to be completed in 2020. With the new phase, the Zhengyuan Terminal becomes a continuous deep-water berth with the capacity to dock a single general cargo vessel of 10,000 DWTs or two general cargo vessels of 5,000 DWTs and 2,000 DWTs. This will help to alleviate the high utilisation rates and improve the overall operational efficiency of both the Tianyuan Terminal and the Zhengyuan Terminal. The new phase will also provide additional flexibility to the Group when arranging vessels for berthing and subsequent uploading or unloading, and is expected to reduce the time of vessels waiting to berth. The Group also intends to acquire or lease land adjacent to the Tianyuan Terminal and the Zhengyuan Terminal for the purpose of constructing new facilities and installing new equipment to accommodate different cargo types.

Other competitive advantages of the Group

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. Maoming City is known as one of the largest petrochemical production bases in the PRC and one of the agricultural production bases in Southwest China. In addition, it is known for its mineral resources which include oil shale, kaolinite and jade. The Group's services and cargo mix are aligned with these industries. The Group enjoys the capability to handle liquid bulk, such as petroleum, and dry bulk, such as grain, coal, quartz sand and kaolinite. Both the Tianyuan Terminal and the Zhengyuan Terminal are well-equipped with quayside portal cranes, shovel trucks, loaders, forklift trucks, grab buckets, overhead crane hooks and general purpose trucks, which are all operated by qualified skillful technicians. The Group also possesses oil tanks and grain barns for its related ancillary value-added port services.

Information on Tianyuan Petrochemical

As extracted from the Letter from the Board, Tianyuan Petrochemical is a company established in the PRC with limited liability and is principally engaged in the processing and sales of petrochemical products.

Upon our further enquiry with the Directors, we understand that Tianyuan Petrochemical has invested approximately RMB1.7 billion to construct petrochemical product plants, supporting system and utilities since October 2016. Full trial operation has commenced in June 2019, leading to rapid expansion in Tianyuan Petrochemical's business and operation. To cope with the expected continual rapid expansion in production and sales, Tianyuan Petrochemical has been procuring an increasing amount of terminal uploading and unloading services at the Tianyuan Terminal as well as the Zhengyuan Terminal.

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 storage of petrochemical products and coal, wholesale of refined oil, and import and export trade.

Upon our further enquiry with the Directors, we understand that Maoming Tianyuan started business back in 1996. Throughout the years, Maoming Tianyuan has developed into a well-known enterprise of Maoming City. It currently has over 500 staff, including more than 180 professional and technical personnel. Given the increasing competitiveness and popularity of the Tianyuan Terminal and the Zhengyuan Terminal, Maoming Tianyuan has been procuring an increasing amount of terminal uploading and unloading services at these two terminals.

Reasons for the Supplemental Framework Agreement

The Group has been providing services of uploading and unloading of goods to Tianyuan Petrochemical and Maoming Tianyuan at the Tianyuan Terminal and the Zhengyuan Terminal during its ordinary and usual course of business. These transactions have been providing a stable source of income to the Group.

In view of the expected increase in demand for terminal uploading and unloading services from Tianyuan Petrochemical and Maoming Tianyuan, it is anticipated that the respective original annual caps for 2020 under the Framework Agreements will be insufficient to meet with the new expected transaction amounts. Besides, the Directors are of the view that extending the term of each of the Framework Agreements could, to a certain extent, guarantee the cooperation with Tianyuan Petrochemical and Maoming Tianyuan and continue to provide the Group with a stable source of income.

Taking into account the above reasons for the Supplemental Framework Agreement, we concur with the Directors that the transactions contemplated under the Supplemental Framework Agreement are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Supplemental Framework Agreement

A summary of the principal terms of the Supplemental Framework Agreement are set out as follows:

Parties

- (i) Tianyuan and Zhengyuan (as service providers); and
- (ii) Tianyuan Petrochemical and Maoming Tianyuan (as customers).

Nature of transaction

Provision of terminal uploading and unloading services by the service providers to the customers.

Term

From the effective date of the Supplemental Framework Agreement to 31 December 2022.

Pricing policy

The fee charged for the provision of terminal uploading and unloading services by the service providers to the customers under the Supplemental Framework Agreement shall be based on a fixed price list (the “**Fixed Price List**”) set for different types of goods involved in the transactions determined by reference to a matrix of factors, including, amongst others, cargo type, cargo volume, handling method, market conditions and industry benchmarks. Price adjustment, if necessary, will be made based on the management insight of the market and on the determination of the sales department of the Group. The Fixed Price List is the same for connected persons and independent third parties.

We have discussed with the Directors regarding the aforesaid pricing policy. For our due diligence purpose, we have requested and obtained the Fixed Price List set for different types of goods requiring the terminal uploading and unloading services. Given that the Fixed Price List is the same for connected persons and independent third parties, we are of the view that this is a fair and reasonable pricing method for the service fee. Furthermore, we have requested and reviewed (i) the historical contracts/invoices regarding the provision of terminal uploading and unloading services by the Group to Tianyuan Petrochemical during 2019 and 2020; (ii) the historical contracts/invoices regarding the provision of terminal uploading and unloading services by the Group to Maoming Tianyuan in 2020; and (iii) the historical contracts/invoices regarding the provision of terminal uploading and unloading services by the Group to other independent third party customers during 2019 and 2020. Based on those historical contracts/invoices we obtained, we noted that their major terms (such as the price and payment term) were largely comparable.

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

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3. The annual caps

The following tables illustrate (i) the historical transaction amounts for the terminal uploading and unloading services provided by the Group to each of Tianyuan Petrochemical and Maoming Tianyuan; and (ii) the annual caps under the Supplemental Framework Agreement:

	Historical transaction amounts		
	2018	2019	For the six months ended 30 June 2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Tianyuan Petrochemical	149	6,618	2,511
Maoming Tianyuan	<u>Nil</u>	<u>Nil</u>	<u>2,767</u>
Total	<u><u>149</u></u>	<u><u>6,618</u></u>	<u><u>5,278</u></u>

	2020	2021	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
The annual caps under the Supplemental Framework Agreement	<u><u>11,000</u></u>	<u><u>14,000</u></u>	<u><u>17,000</u></u>

The revised annual cap for 2020

Under the Framework Agreements, the original annual caps for the provision of terminal uploading and unloading services by the Group to Tianyuan Petrochemical and Maoming Tianyuan were set at RMB4 million and RMB4.5 million respectively in March 2020, during which the logistic industry in the PRC was significantly disrupted by the coronavirus epidemic due to the traffic-banning and quarantine measures imposed by the PRC government and the overall economic downturn. As such, Tianyuan Petrochemical and Maoming Tianyuan had adopted a relatively conservative view in the estimation of their respective future demand for the Group's terminal uploading and unloading services. However, with the swift and effective virus control measures of the PRC government, the epidemic has been gradually contained and the economy of the PRC is on the trend of recovery. With the expected resumption of public consumptions and reopening of factories, the needs for energy products including petrochemical products is expected to follow the trend of the economic recovery of the PRC in the second half of 2020.

Having considered that (i) the original annual caps under each of the Framework Agreements were utilised over 60% as at 30 June 2020; (ii) the aggregate historical transaction amount under the Framework Agreements of RMB5.3 million (which took place when the logistic industry in the PRC was significantly disrupted by the coronavirus epidemic and the PRC was experiencing an overall economic downturn)

has already taken up near half of the revised annual cap for 2020 of RMB11 million under the Supplemental Framework Agreement; and (iii) the expected resumption of public consumptions and reopening of factories after the gradual containment of the coronavirus epidemic in the PRC would lead to a rebound in the needs for energy products including petrochemical products, and consequently the demand for terminal uploading and unloading services from Tianyuan Petrochemical and Maoming Tianyuan, we are of the opinion that the revised annual cap for 2020 under the Supplemental Framework Agreement is fair and reasonable.

The new annual caps for 2021 and 2022

As confirmed by the Directors, the new annual caps for 2021 and 2022 under the Supplemental Framework Agreement have been determined with reference to the existing scale and operation of business of the Group as well as the anticipated growth and development of business and the anticipated demand for the terminal uploading and unloading services.

The existing scale and operation of business of the Group

As highlighted under the paragraph headed “Information on the Group — The Group’s principal business” of this letter of advice, the Group operates two terminals, namely the Tianyuan Terminal and the Zhengyuan Terminal, which are open to the public. The Group has been granted sea area use rights over an aggregate area of approximately 9.6 hectares at the Maoming Port, a gateway to Southwest China and Southeast Asian countries. The comprehensive transportation network in Maoming City enables combined transport logistics, which in turn drives the throughput of the Tianyuan Terminal and the Zhengyuan Terminal and allows the Group to serve customers located across the PRC.

Both the Tianyuan Terminal and the Zhengyuan Terminal are well-equipped with necessary facilities which are all operated by qualified skillful technicians. The Group also possesses oil tanks and grain barns for its related ancillary value-added port services. The Tianyuan Terminal currently has two berths with a maximum docking capacity of 30,000 DWTs and 5,000 DWTs, respectively. Both berths have been approved to handle foreign trade since January 2011. With regard to the Zhengyuan Terminal, it currently has one berth with the maximum docking capacity of 10,000 DWTs to handle domestic trade. According to the Directors, the Group is a leading handler of bulk cargo, such as coal and fuel oil, at the Maoming Port. Based on our further discussion with the Directors, we understand that both the Tianyuan Terminal and the Zhengyuan Terminal have recorded exceptionally high utilisation rates of over 100% and 150%, respectively, in recent years.

The anticipated growth and development of business and the anticipated demand for terminal uploading and unloading services

(a) The Group's expansion plan

As highlighted in the paragraph headed "Information on the Group — The Group's existing facilities and its expansion plan" of this letter of advice, as part of the Group's development plan in anticipation of increasing market demand for terminal services at the Maoming Port, the Group has completed the construction of a new phase of the Zhengyuan Terminal in the first quarter of 2019 and a testing and trial run period is expected to be completed in 2020. With the new phase, the Zhengyuan Terminal becomes a continuous deep-water berth with the capacity to dock a single general cargo vessel of 10,000 DWTs or two general cargo vessels of 5,000 DWTs and 2,000 DWTs. The Group also intends to acquire or lease land adjacent to the Tianyuan Terminal and the Zhengyuan Terminal for the purpose of constructing new facilities and installing new equipment to accommodate different cargo types.

As advised by the Directors, the aforesaid expansion will help to alleviate the high utilisation rates and increase the overall operational efficiency of both the Tianyuan Terminal and the Zhengyuan Terminal. The new phase will also provide additional flexibility to the Group when arranging vessels for berthing and subsequent uploading or unloading, and is expected to reduce the time of vessels waiting to berth. The Directors believe that the expanded cargo handling capacity and the enhanced operational efficiency will allow the Group to cater for the demand for bulk cargo uploading and unloading services from its customers, including but not limited to Tianyuan Petrochemical and Maoming Tianyuan.

(b) Future development of the Maoming Port

As aforementioned, the Maoming Port is connected to a comprehensive transportation network in Maoming City. Railways such as the Sanshui-Maoming Railway, the Hechun-Maoming Railways, the Luoyang-Zhanjiang Railway and the Liuzhou-Zhanjiang Railway run through Maoming City. Moreover, the Maoming Port is connected to the rest of Guangdong Province and the PRC through State Highway 207, State Highway 325 and the Guangzhou-Zhanjiang Highway. From our independent research, we further noted that auxiliary construction and expansion plans are in place to improve the capacity of the surrounding transportation infrastructure of the Maoming Port. Under the framework of the "National Economic and Social Development of Guangdong Province — Thirteenth Five-Year Plan" (《廣東省國民經濟和社會發展第十三個五年計劃》) approved by the National People's Congress in January 2016, and its implementation of transportation infrastructure development as set out in the "Three-year Action Plan for Transportation Infrastructure Construction Projects" (《交通基礎設施重大工程建設三年行動計劃》), Maoming City is targeted to be developed into a transportation hub of western part of Guangdong Province by 2020 and will be linked by rail to more cities, including Shenzhen City and Guangzhou City. The completion and opening of this railway link will enable faster connections and increased capacity for handling cargo.

At the provincial level, there are also a number of proposed strategies to integrate and improve major ports in Guangdong Province. These include “The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008–2020)” (《珠江三角洲地區改革發展規劃綱要(2008–2020)》) and “Division of Marine Function in Guangdong Province (2011–2020)” (《廣東省海洋功能區劃(2011–2020年)》). Through adjusting the structure and optimising the layout of ports in Guangdong Province, the government of Guangdong Province intends to prioritise upgrading the transportation system of coal, oil, bulk minerals, containers and grain in order to improve the transportation capacity in the pre or post-port logistic services, so as to further enhance the competitiveness of ports in Guangdong Province.

The Directors expect that the aforesaid planned progression and advancement in the transportation network surrounding the Maoming Port would attract more customers and boost the popularity of the Tianyuan Terminal and the Zhengyuan Terminal in the near future.

(c) Favorable factors affecting the port industry

The Directors advised us that as a port operator situated in Southwest Guangdong, the economic development of the PRC together with the Group’s hinterland, which mainly includes Guangdong and Guangxi provinces, has provided a strong economic support for the sustainable growth of the Group’s business. Based on the statistics released by the National Bureau of Statistics at <http://www.stats.gov.cn>, the PRC’s gross domestic products (GDP) increased from approximately RMB91,928.1 billion in 2018 to approximately RMB99,086.5 billion in 2019, representing a growth of approximately 7.8%. The total value of imports and exports of the PRC also experienced a steady increase from approximately RMB30,501.0 billion in 2018 to approximately RMB31,550.5 billion in 2019. On the other hand, according to www.chinaports.com, China’s coastal port total throughput was approximately 7.8 billion tonnes in 2019, rising by approximately 4.3% as compared to the prior year. In particular, the total throughput of the ports located at the Pearl River Delta, including the Maoming Port, was approximately 1.8 billion tonnes, rising by approximately 10.8% as compared to the prior year.

Based on the statistics released by the National Bureau of Statistics, the GDP of Guangdong Province increased from approximately RMB9,994.5 billion in 2018 to approximately RMB10,767.1 billion in 2019, representing a growth of approximately 7.7%. Despite the reduction in total value of imports of destinations and catchments of Guangdong Province from approximately US\$503.5 billion in 2018 to approximately US\$464.1 billion in 2019, the total value of exports of destinations and catchments increased from approximately US\$707.7 billion in 2018 to approximately US\$719.6 billion in 2019. Based on the statistics released by the Guangdong Bureau of Statistics at <http://stats.gd.gov.cn>, the cargo throughput of Guangdong Province increased by approximately 11.4% to approximately 1.9 billion tonnes in 2019.

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As for Guangxi Province, based on the statistics released by the National Bureau of Statistics, the GDP of Guangxi Province increased from approximately RMB1,962.8 billion in 2018 to approximately RMB2,123.7 billion in 2019, representing a growth of approximately 8.2%. The total value of imports of destinations and catchments of Guangxi Province increased from approximately US\$43.0 billion in 2018 to approximately US\$46.0 billion in 2019; while its total value of exports of destinations and catchments also increased from approximately US\$17.7 billion in 2018 to approximately US\$19.3 billion in 2019. Based on the statistics released by the Guangxi Zhuang Autonomous Region Bureau of Statistics at <http://tjj.gxzf.gov.cn>, the cargo throughput of Guangxi Province increased by approximately 27.0% to approximately 0.4 billion tonnes in 2019.

Benefiting from the economic development and expansion in trade of the PRC, Guangdong and Guangxi provinces, it is anticipated that the demand for services of uploading and unloading of goods at the Tianyuan Terminal and the Zhengyuan Terminal is likely to continue to grow.

(d) The expected business expansion of Tianyuan Petrochemical and Maoming Tianyuan

As highlighted under the section headed “Information on Tianyuan Petrochemical” of this letter of advice, Tianyuan Petrochemical is principally engaged in the processing and sales of petrochemical products. Upon our further enquiry with the Directors, we understand that Tianyuan Petrochemical has invested approximately RMB1.7 billion to construct petrochemical product plants, supporting system and utilities since October 2016. Full trial operation has commenced in June 2019, leading to rapid expansion in Tianyuan Petrochemical’s business and operation. To cope with the expected continual rapid expansion in production and sales, Tianyuan Petrochemical has been procuring an increasing amount of terminal uploading and unloading services at the Tianyuan Terminal as well as the Zhengyuan Terminal.

As highlighted under the section headed “Information on Maoming Tianyuan” of this letter of advice, Maoming Tianyuan is principally engaged in storage of petrochemical products and coal, wholesale of refined oil, and import and export trade. Upon our further enquiry with the Directors, we understand that Maoming Tianyuan started business back in 1996. Throughout the years, Maoming Tianyuan has developed into a well-known enterprise of Maoming City. It currently has over 500 staff, including more than 180 professional and technical personnel. Given the increasing competitiveness and popularity of the Tianyuan Terminal and the Zhengyuan Terminal, Maoming Tianyuan has been procuring an increasing amount of terminal uploading and unloading services at these two terminals.

As represented by their management, it is the intention of both Tianyuan Petrochemical and Maoming Tianyuan to procure more terminal uploading and unloading services at the Tianyuan Terminal as well as the Zhengyuan Terminal in the coming future.

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In light of the basis of determination of the new annual caps for 2021 and 2022 under the Supplemental Framework Agreement as detailed above, we are of the view that the new annual caps for 2021 and 2022 under the Supplemental Framework Agreement 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 Supplemental Framework Agreement.

Moreover, 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 values of the transactions contemplated under the Supplemental Framework Agreement must be restricted by their annual caps for the years concerned under the Supplemental Framework Agreement; (ii) the terms of the Supplemental Framework Agreement (together with the 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 Supplemental Framework Agreement (together with the 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 Supplemental Framework Agreement are carried out in accordance with the pricing policies of the Company, and the annual caps are not being exceeded. In the event that the total amounts of the transactions contemplated under the Supplemental Framework Agreement exceed the annual caps, or that there is any material amendment to the terms of the Supplemental Framework Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

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 Supplemental Framework Agreement will be monitored and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Supplemental Framework Agreement (including the annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the transactions contemplated under the Supplemental Framework Agreement are in the interests of the Company and the Shareholders as a whole and are 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 Supplemental 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
Deputy 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 15 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 (<i>Note 1</i>)	423,000,000	70.5%
Mr. Yang Fan	Interest in a controlled corporation (<i>Note 2</i>)	27,000,000	4.5%

Notes:

1. 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.
2. 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, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2019 (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, 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 are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2019, 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:

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

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 2019 (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 in pages 14 to 27 in this circular and are given for incorporation in this circular.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Room C, 29/F., Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Supplemental Framework Agreement;
- (b) the letter from the Board, the text of which is set out in pages 4 to 11 of this circular;

- (c) the letter from the Independent Board Committee, the text of which is set out in page 12 to 13 of this circular;
- (d) the letter from the Independent Financial Advisor, the text of which is set out in pages 14 to 27 of this circular;
- (e) the written consent from the Independent Financial Advisor referred to in the above paragraph headed “Expert’s Qualification and Consent” in this Appendix; and
- (f) 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 Master Golf Zhuhai Zhuxiandong Club, 2nd Floor, North Side, No. 32 Zhuxian Road, Xiangzhou District, Zhuhai, the People’s Republic of China on Monday, 7 September 2020 at 3:00 p.m., to consider and, if thought fit, to pass with or without amendments, the following resolution:

AS ORDINARY RESOLUTION

“THAT

1. (i) the supplemental framework agreement (the “**Supplemental Framework Agreement**”) entered into among Maoming Tianyuan Terminal Operation Company Limited* (茂名市天源碼頭經營有限公司), Maoming Zhengyuan Trade Development Company Limited* (茂名市正源商貿發展有限公司), Maoming Tianyuan Petrochemical Company Limited* (茂名天源石化有限公司) and Maoming Tianyuan Trade Development Company Limited* (茂名市天源商貿發展有限公司) on 24 July 2020, 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 revised annual caps contemplated thereunder as set out in the Company’s circular dated 14 August 2020 be and are hereby confirmed, ratified and approved; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (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 Supplemental 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, 14 August 2020

* *For identification purpose only*

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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong 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, 2 September 2020 to Monday, 7 September 2020 (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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 1 September 2020.
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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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.