

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION FORMATION OF A JOINT VENTURE COMPANY BY CAPITAL INJECTION

The Board is pleased to announce that on 9 October 2020, the Company entered into the JV Deed with Fortune Oil PRC in relation to injection of capital into the JV Company.

Pursuant to the JV Deed, the Company and Fortune Oil PRC agreed to inject capital of HK\$16,500,000 and HK\$38,499,999 in the JV Company, respectively. Upon completion of the JV Deed, the registered capital of the JV Company will be increased from HK\$1 to HK\$55,000,000 and owned as to 30% and 70% by the Company and Fortune Oil PRC, respectively.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the JV Deed exceeds 5% but is less than 25%, the JV Deed constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 9 October 2020 the Company entered into the JV Deed with Fortune Oil PRC, the principal terms of which are set out as follows:

THE JV DEED

Date: 9 October 2020 (after trading hours)

Parties: (1) the Company
(2) Fortune Oil PRC

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, Fortune Oil PRC and its ultimate beneficial owners are Independent Third Parties.

Purpose of the JV Company: To invest and obtain 60% equity interest in the Target Company, and obtain all of its assets (including administrative permits, qualifications and filings required for construction and operation) and to continue its operation. With the approval of the Company and Fortune Oil PRC, the JV Company can also carry out international trade related to oil products.

Injection of capital into the JV Company: As at the date of the JV Deed, the JV Company has a registered capital of HK\$1 divided into 1 share which is wholly-owned by Fortune Oil PRC. Pursuant to the JV Deed, the Company agreed to make capital injection of HK\$16,500,000 into the JV Company to subscribe for 16,500,000 new shares therein; and Fortune Oil PRC agreed to make capital injection of HK\$38,499,999 into the JV Company to subscribe for 38,499,999 new shares therein. The new shares of the JV Company, when issued, will rank *pari passu* in all respects with the existing share in issue, free of encumbrance, and attached with all rights from the issue date including the rights to dividends.

The Company and Fortune Oil PRC shall make the capital injection in cash by bank transfer (or other way to be agreed by the JV Company and the relevant party) on the Completion date and the JV Company will issue the new shares on the same date. The capital injection to be made by the Company will be funded by internal resources of the Group.

Upon Completion, the registered capital of the JV Company will increase to HK\$55,000,000 divided into 55,000,000 shares, among which the Company will own 16,500,000 shares (representing 30% of the then total issued share capital of the JV Company) and Fortune Oil PRC will own 38,500,000 shares (representing 70% of the then total issued share capital of the JV Company).

The injection amount was agreed between the Company and Fortune Oil PRC after arms length negotiation and having considered factors such as the expected amount required for obtaining 60% interest in the Target Company, the background and qualifications of the Target Company, the industry conditions of oil and petrochemical products and warehouse facilities, other commercial considerations and the proportion of the Company's shareholding in the JV Company. The injection amount will be applied as part of the consideration payable by the JV Company for obtaining the 60% equity interest in the Target Company. The Board considers the injection amount payable under the JV Deed to be fair and reasonable, of normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Further funding:

The shortfall between the aforesaid injection amount and the final and actual amount required for the JV Company to invest in and obtain 60% equity interest in the Target Company will be fulfilled by a shareholder's loan from Fortune Oil PRC to the JV Company, and such shareholder's loan shall be guaranteed by the Company and Fortune Oil PRC in proportion to their shareholdings in the JV Company and limited to the amounts of their respective capital contributions. If the JV Company requires further funding during the term or after expiration of the shareholders' loan provided by Fortune Oil PRC, the Company and Fortune Oil PRC shall make further capital contribution to the JV Company in proportion to their respective shareholding therein. Shareholder who does not contribute proportionately, its shareholding will be automatically diluted at book value of the JV Company.

Key representations and warranties:	The Company, in its reasonable business endeavour, shall procure a qualified third party (the candidate to be confirmed and approved by Fortune Oil PRC) to enter into a contract with the Target Company to take up the storage capacity of crude oil of the Zhanjiang oil storage of not less than 1 million tonnes every year, with storage fee to be decided according to the prevailing market price.
Board of directors:	<p>The board of directors of the JV Company shall consist of five directors, with two directors to be nominated by the Company and three directors to be nominated by Fortune Oil PRC.</p> <p>The chief executive officer of the JV Company shall be nominated by Fortune Oil PRC.</p>
Non-competition:	The Company and Fortune Oil PRC undertook and guaranteed that from the date of the JV Deed and up to the date the relevant party ceases to be a shareholder of the JV Company, such party shall not by itself or through its associates, or act jointly or on behalf of other third party, or form any partnership, joint venture, cooperate, participate, invest, financing, contracting or through other methods, directly or indirectly operate, invest or engage (or attempt to operate, invest or engage) in business that is actually or may compete with the business of the JV Company.
Transfer and charge of share:	<p>Unless with written consent of the other shareholder(s), none of the shareholder of the JV Company shall:</p> <ol style="list-style-type: none"> (1) create any pledge, charge (fixed or floating charge), or any other legal or beneficial encumbrance on any of its shares in the JV Company; (2) sell, transfer or in any other way dispose of any of its shares in the JV Company, unless such disposal is made to a wholly-owned subsidiary of such shareholder. If such subsidiary ceases to be wholly-owned by the relevant shareholder, such subsidiary shall return the shares of the JV Company to the relevant shareholder.

Despite of the aforementioned written consent requirement, a shareholder may still dispose its shares in the JV Company if (1) it has offered the right of first refusal to the other shareholder and such other shareholder refuse to acquire the shares at the same terms offered by the third party purchaser; or (2) it received the tag-along notice issued by the third party purchaser who intends to purchase the shares from the other shareholders, and accepted the terms therein and agreed to sell its shares to the third party purchaser as well.

Conditions precedent: Completion of the JV Deed is subject to fulfillment of all the following conditions:

- (1) all representations and warranties under the JV Deed remain correct, true, not misleading and do not have omission in all material aspects; and
- (2) each party have obtained all necessary consent and approval for the transactions contemplated under the JV Deed (including approval from its shareholders, or approvals by relevant governmental departments, regulatory authorities and the Stock Exchange).

Completion: Completion of the JV Deed shall take place within 30 days (or such other date agreed by the party in writing.

INFORMATION OF THE GROUP

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, PRC. The Company has been diversifying its business to other areas including supply and sales of oil products.

INFORMATION OF FORTUNE OIL PRC

Fortune Oil PRC is a limited liability company incorporated in Hong Kong, principally engages in investment and trading of energy resources related to oil and natural gas in the PRC.

INFORMATION OF THE JV COMPANY

The JV Company is a limited liability company incorporated in Hong Kong in 2012. As at the date of this announcement, it is wholly-owned by Fortune Oil PRC and has not commenced any business since its establishment.

Since the JV Company has not commenced any business, it did not record any net profit (before or after tax) and net asset for the two financial years prior to the date of this announcement.

Upon Completion, the JV Company will be the investment vehicle and participate in the capital investment project of the Target Company. The Target Company is a company incorporated in Zhanjiang, Guangdong, the PRC with a registered and fully paid capital of RMB180,000,000. It principally engages in sale of crude oil and petrochemical products and investment in warehouse facilities. The Target Company would like to invite an investor to make capital contribution in exchange for 60% equity interest therein. The Company and Fortune Oil PRC intended to, through the JV Company, invest in the Target Company, and obtain 60% of its equity interest, as well as all of its assets (including administrative permits, qualifications and filings required for construction and operation) and to continue its operation.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION IN THE JV COMPANY

The Directors are of the view that the JV Deed can enhance diversification and development of the Company, and to leverage the expertise of Fortune Oil PRC on investment and trading of energy resources.

Also, through the formation of the JV Company, the Company and Fortune Oil PRC can complement with each other with their respective strength, and to share resources, which are beneficial to the development of the business of the JV Company. The Board expects that the JV Company may enhance future earning capability and potential of the Group.

The Board is of the view that the transactions under the JV Deed are normal commercial terms, the terms and conditions of the JV Deed are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the JV Deed exceeds 5% but is less than 25%, the JV Deed constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“China” or “PRC”	The People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong and Macau Special Administrative Region
“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)
“Completion”	as defined in the JV Deed, that is within 30 days after signing of the JV Deed, the registered share capital of the JV Company will be increased to HK\$55,000,000, divided into 55,000,000 shares, in which the Company shall hold 16,500,000 shares of the JV Company and Fortune Oil PRC shall hold 38,500,000 shares of the JV Company
“Directors”	the directors of the Company
“Fortune Oil PRC”	Fortune Oil PRC Holdings Limited (富地中國投資有限公司), a company incorporated in Hong Kong with limited liability
“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
“Independent Third Party”	third party independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“JV Company”	Fortune Tian Yuan Petrochemical Limited (富地天源石化有限公司), a company incorporated in Hong Kong with limited liability
“JV Deed”	the deed of joint venture dated 9 October 2020 entered into between the Company and Fortune Oil PRC in relation to the formation of the JV Company by capital injection
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“percentage ratios”	has the meaning ascribed to it in the Listing Rules
“RMB”	Renminbi, the lawful currency of China
“Shareholder(s)”	holder(s) of shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Target Company”	China National Aviation Fuel Group Nanfang Storage and Transportation Company Limited* (中航油集團南方儲運有限責任公司), a limited company incorporated in the PRC
“%”	per cent

* *for identification purposes only*

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

Hong Kong, 9 October 2020

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