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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

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Reference is made to the Company's announcement dated 29 December 2022 in relation to the 2023 Terminal Services Framework Agreement dated 29 December 2022 entered into among the Service Providers, Tianyuan Petrochemical and Maoming Tianyuan.

As the 2023 Terminal Services Framework Agreement will expire on 31 December 2023 and the parties intended to continue to carry out the transactions thereunder after the expiry date, the Service Providers, Tianyuan Petrochemical and Maoming Tianyuan entered into the 2024 Terminal Services Framework Agreement on 21 December 2023.

LISTING RULES IMPLICATIONS

Tianyuan Petrochemical and Maoming Tianyuan are owned as to 99% and 95% by Mr. Yang, respectively. 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 2024 Terminal Services Framework Agreement constitute continuing connected transactions of the Company.

Given the highest annual cap under the 2024 Terminal Services Framework Agreement is less than HK\$10,000,000 and the highest applicable percentage ratio is less than 25%, the continuing connected transactions contemplated under the 2024 Terminal Services Framework Agreement are subject to reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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2024 TERMINAL SERVICES FRAMEWORK AGREEMENT

The principal terms of the 2024 Terminal Services Framework Agreement are as follows:

Date:	21 December 2023 (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 Tianyuan Petrochemical and/or Maoming Tianyuan
Condition precedent:	Effectiveness of the 2024 Terminal Services 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, if necessary).
Term:	From 1 January 2024 to 31 December 2024

Pricing policy:

The fee charged for the provision of terminal uploading and unloading services by the Service Providers to the relevant customers under the 2024 Terminal Services 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.

Proposed Annual Cap:

The historical transaction amount for the terminal uploading and unloading services provided by the Service Providers to Tianyuan Petrochemical and Maoming Tianyuan under the 2023 Terminal Services Framework Agreement for the 11 months ended 30 November 2023 is approximately RMB5,696,000. The annual cap for the year ending 31 December 2023 under the 2023 Terminal Services Framework Agreement was RMB8,000,000.

The proposed annual cap for the year ending 31 December 2024 under the 2024 Terminal Services Framework Agreement is RMB8,000,000.

Note: The above historical transaction amount and annual cap are all inclusive of value-added tax.

Basis of Determination of the Proposed Annual Cap:

The proposed annual cap under the 2024 Terminal Services Framework Agreement is determined with reference to (i) the existing scale and operations of the businesses of the Group; (ii) the historical transaction amount for the 11 months ended 30 November 2023, among which the transaction amount accounted for approximately 71 % of the annual cap under the 2023 Terminal Services Framework Agreement; and (iii) the anticipated demand for the terminal uploading and unloading services based on the current industry environment.

Internal Control Procedures:

To ensure the continuing connected transactions under the 2024 Terminal Services Framework Agreement will be conducted in accordance with the terms of the agreement and the pricing policies, the Company has adopted the following internal control procedures:

1. When specific transactions under the 2024 Terminal Services Framework Agreement are conducted, there will be checking to make sure their terms are in line with the terms of the 2024 Terminal Services 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 2024 Terminal Services 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 2024 Terminal Services 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 2024 Terminal Services Framework Agreement monthly, and will regularly report the status of execution of the transactions under the 2024 Terminal Services Framework Agreement to the Board. As part of the monthly checks to be performed by designated qualified personnel under the Group's business and finance department, the total transaction amounts under the 2024 Terminal Services Framework Agreement will be calculated and compared to the proposed annual cap on a monthly basis and if the annual cap is expected to be exceeded, it will be reported to the management. The management will then take appropriate measures in accordance with the relevant requirements of the Listing Rules;
4. The Company's external auditors will conduct annual review on the transaction amounts and the annual cap of the transactions under the 2024 Terminal Services Framework Agreement; and
5. The independent non-executive Directors will conduct annual review and make annual confirmation on the transactions under the 2024 Terminal Services Framework Agreement.

As at the date of this announcement, there were no applicable government (central and local governments) tariffs or guidance prices in relation to terminal uploading and unloading services. When any laws, regulations or other regulatory documents in relation to government prescribed price in respect of terminal uploading and unloading services come into effect, the pricing department of the Company will forward these regulatory requirements to its operating entities and require all the operating entities to follow the government-prescribed or guidance prices. Designated qualified personnel of the Company will review the enforcement of the government-prescribed or guidance prices by the operating entities from time to time.

When no government-prescribed or guidance prices apply, the operating entities shall formulate the fixed price list based on the domestic market prices of terminal uploading and unloading services and the actual fees quoted by the Group to independent customers.

The fixed price list will be updated by the designated qualified personnel of the Company on a weekly basis and is applicable to all customers of the Group. The Company considers that the above internal control procedures could function as effective measures to regulate continuing connected transactions. The Company also provides accurate materials in relation to continuing connected transactions as always to facilitate the annual review conducted by the independent non-executive Directors and the independent auditor. Therefore, the Directors consider that the above internal control procedures could ensure the continuing connected transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

REASONS FOR AND BENEFITS OF THE 2024 TERMINAL SERVICES FRAMEWORK AGREEMENT

In view of Tianyuan Petrochemical and Maoming Tianyuan's consistent and stable demands of the Group's terminal loading and unloading services, and the transactions under the 2024 Terminal Services Framework Agreement are in the ordinary and usual course of the business of the Company, the Board is of the view that the entering into the 2024 Terminal Services Framework Agreement can maintain a stable turnover of the Group and therefore beneficial to the overall business of the Group.

The Directors (including all independent non-executive Directors) consider that the terms of the 2024 Terminal Services Framework Agreement and the proposed annual cap thereunder are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

As Mr. Yang is the ultimate beneficial owner of Tianyuan Petrochemical and Maoming Tianyuan and deemed to be materially interested in the 2024 Terminal Services 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 2024 Terminal Services Framework Agreement and is required to abstain from voting on the relevant Board resolutions.

INFORMATION OF PARTIES TO THE 2024 TERMINAL SERVICES FRAMEWORK AGREEMENT

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

Tianyuan and Zhengyuan are subsidiaries of the Company owned as to 60% and 100%, respectively. Both of them are established in the PRC with limited liability and principally engage in provision of bulk and general cargo uploading and unloading services and related ancillary services in the PRC.

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 the distribution of refined oil, heavy oil, fuel oil, coal and liquid chemicals.

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.

LISTING RULES IMPLICATIONS

Tianyuan Petrochemical and Maoming Tianyuan are owned as to 99% and 95% by Mr. Yang, respectively. 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 2024 Terminal Services Framework Agreement constitute continuing connected transactions of the Company.

Given the highest annual cap under the 2024 Terminal Services Framework Agreement is less than HK\$10,000,000 and the highest applicable percentage ratio is less than 25%, the continuing connected transactions contemplated under the 2024 Terminal Services Framework Agreement are subject to reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2023 Terminal Services Framework Agreement”	the terminal uploading and unloading services framework agreement entered into among Tianyuan, Zhengyuan, Maoming Tianyuan and Tianyuan Petrochemical on 29 December 2022
“2024 Terminal Services Framework Agreement”	the terminal uploading and unloading services framework agreement entered into among Tianyuan, Zhengyuan, Maoming Tianyuan and Tianyuan Petrochemical on 21 December 2023
“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 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, 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
“Director(s)”	the director(s) of the Company
“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
“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 and held as to 95% by Mr. Yang
“Mr. Yang”	Mr. Yang Jinming (楊金明), an executive Director, the chairman of the Board, the chief executive officer and the controlling shareholder of the Company
“percentage ratios”	has the meaning ascribed to it in the Listing Rules
“RMB”	Renminbi, the lawful currency of China
“Service Providers”	Tianyuan and Zhengyuan, both being subsidiaries of the Company
“Shareholder(s)”	holder(s) of shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 60%-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 owned as to 99% by Mr. Yang
“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

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

Hong Kong, 21 December 2023

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.