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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)

ANNOUNCEMENT PURSUANT TO RULE 14.36 OF THE LISTING RULES

MATERIAL VARIATION OF THE TERMS PREVIOUSLY ANNOUNCED TRANSACTION IN RELATION TO FORMATION OF JOINT VENTURE

On 20 March 2023, Fortune Oil PRC and the Company entered into the Capital Contribution Deed, pursuant to which Fortune Oil PRC and the Company agreed to contribute the outstanding principal and interest under certain shareholder loans and other loan lent to the JV Company, as consideration for the Subscription Shares to be allotted and issued by the JV Company to each of Fortune Oil PRC and the Company.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION DEED

The Directors are of the view that the Capital Contribution Deed can assist the JV Company to capitalize the shareholder loans and other loan, increase the share capital of the JV Company and lower interest expense of the JV Company. Also, the JV Company can enhance diversification and development of the Company, which will leverage the expertise of Fortune Oil PRC on investment and trading of energy resources.

LISTING RULES IMPLICATIONS

The entering into of the Capital Contribution Deed between the Company and Fortune Oil PRC constitutes a material variation of the terms of the JV Deed which were previously announced by the Company in accordance with Chapter 14 of the Listing Rules and is, therefore, required to be disclosed pursuant to Rule 14.36 of the Listing Rules.

MATERIAL VARIATION OF THE TERMS PREVIOUSLY ANNOUNCED TRANSACTION IN RELATION TO FORMATION OF JOINT VENTURE

References are made to the announcements (the “**Announcements**”) relating to the formation of joint venture dated 9 October 2020 and 16 October 2020. Unless the context otherwise requires, capitalized terms in this announcement shall have the same meanings as ascribed to them in the Announcements.

On 20 March 2023, Fortune Oil PRC and the Company entered into the Capital Contribution Deed, pursuant to which Fortune Oil PRC and the Company agreed to contribute the outstanding principal and interest under certain shareholder loans and other loan lent to the JV Company, as consideration for the Subscription Shares to be allotted and issued by the JV Company to each of Fortune Oil PRC and the Company.

The principal terms of the Capital Contribution Deed are set out as follows:

Date: 20 March 2023 (after trading hours)

Parties: (i) Fortune Oil PRC; and
(ii) the Company.

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.

Number of shares owned by each party immediately before the subscription: Fortune Oil PRC: 38,500,000 shares (70%)
the Company: 16,500,000 shares (30%)

Amount of share capital to be increased: HK\$245,112,770

Upon completion, the share capital will be increased to HK\$300,112,770 with 300,112,770 shares.

Subscription Shares to be allotted and issued to each party: Fortune Oil PRC: 242,482,329 shares
the Company: 2,630,441 shares
Total: 245,112,770 shares

Consideration to be paid for the Subscription Shares: Fortune Oil PRC: HK\$196,882,285.36
the Company: HK\$2,135,772.96

Number of shares owned by each party immediately after the subscription:

Fortune Oil PRC:	280,982,329 shares (93.63%)
the Company:	19,130,441 shares (6.37%)

Conditions precedent: The entering into of the Capital Contribution Deed is subject to:

- (i) the representations and warranties under the Capital Contribution Deed as at the date at the Capital Contribution Deed and as at the closing date are accurate, true with no material misunderstanding or omissions; and
- (ii) all parties have obtained all necessary consents and approvals related to the transactions under the Capital Contribution Deed, including all authorisations and approvals from, shareholders of all parties, relevant government or regulatory agencies and/or exchanges (including but not limited to the Securities and Futures Commission and the Stock Exchange), agencies, organisations or any other third parties (including but not limited to banks).

Total principle and interest outstanding under the shareholder loans and other loan owed to each of Fortune Oil PRC and the Company:

Fortune Oil PRC:	HK\$196,882,285.36
the Company:	HK\$2,135,772.96

Payment terms: The consideration of the Subscription Shares to be subscribed are calculated with respect to the net asset value per share of the JV Company at HK\$0.8119 per share which will be offset by the principal and interest outstanding under the shareholder loans and other loan. The interest outstanding will be calculated up to 30 June 2022 as the interest after this date has been waived by the shareholders of the JV Company.

The unaudited net asset value of the JV Company as at 31 December 2022 was HK\$44,656,968.43.

Directors and chief executive officer to be nominated by each party:	The board of directors of the JV Company shall consist of three directors, with three directors to be nominated by Fortune Oil PRC. As such, the Company ceases to have any right to nominate director of the JV Company. The chief executive officer of the JV Company shall be nominated by Fortune Oil PRC.
Major decisions to be decided by general meetings:	Major decisions are required to have at least two thirds of the votes cast by shareholders of the JV Company.
Other employees:	In addition to the board of directors and the chief executive officer of the JV company, Fortune Oil PRC can set up full-time business personnel and full-time financial personnel for the JV Company, etc.
Other terms:	Other terms not specified in the Capital Contribution Deed but are otherwise specified in the JV Deed will continue to govern the relationship between the parties.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION DEED

The Directors are of the view that the Capital Contribution Deed can assist the JV Company to capitalize the shareholder loans and other loan, increase the share capital of the JV Company and lower interest expense of the JV Company. Also, the JV Company can enhance diversification and development of the Company, which will leverage the expertise of Fortune Oil PRC on investment and trading of energy resources.

Although the capital contribution will result in lowering the Company's percentage of shares in share capital of the JV Company and that it will limit the Company's participation in the board of directors of the JV Company and voting rights in the JV Company, the Board expects that nevertheless the investment in the JV Company will enhance future earning capability and potential of the Group in the future and the capital contribution allows the JV Company to optimise its financial structure with lower cost to support its subsequent business development.

The Directors are of the view that, among other things, the investment in the Target Company through the JV Company can geographically expand the Company's existing storage service to Zhangjiang, Guangdong, the PRC. Further, despite the fact that the Target Company is under construction and does not generate income as at the date of this announcement, the Directors are of the view that, with the abundant demand in Zhangjiang, Guangdong, the PRC, it is expected that the Target Company will have a stable income and will generate dividend income for the Company in long term.

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

INFORMATION OF THE PARTIES TO THE CAPITAL CONTRIBUTION DEED

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.

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.

The ultimate beneficial owner of Fortune Oil PRC is Mr. Chiu Tat Jung, Daniel, who is a merchant in Hong Kong.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Fortune Oil PRC and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

FINANCIAL INFORMATION OF THE JV COMPANY

The JV Company is a limited liability company incorporated in Hong Kong on 9 March 2012. It holds 60% of equity interest in the Target Company which is primarily engaged in the investment and construction and operation of an oil depot project in Zhanjiang, Guangdong Province, the PRC.

The financial information of the JV Company is as follows:

	For the year ended 31 March	
	2021 (<i>unaudited</i>) US\$	2022 (<i>unaudited</i>) US\$
Net loss before tax	247,775	754,795
Net loss after tax	247,775	754,795

The unaudited net asset value of the JV Company as at 31 December 2022 is US\$5,724,518.45 (equivalent to approximately HK\$44,656,968.43).

FINANCIAL INFORMATION OF THE TARGET COMPANY

As disclosed in the Announcements, the principal purpose of the JV Company is to, among others, 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 operations.

The financial information of the Target Company is as follows:

	For the year ended 31 December	
	2021 (<i>audited</i>) RMB	2022 (<i>audited</i>) RMB
Net loss before tax	893,997.82	0
Net loss after tax	893,997.82	0

The net asset value of the Target Company as at 31 December 2022 is RMB314,252,842.66.

Financial effects of the capital contribution

Upon completion of the share subscription and capital contribution, the JV Company will be owned as to approximately 93.63% by Fortune Oil PRC and approximately 6.37% by the Company. Therefore, the Company's interest in the JV Company will be diluted from 30% to approximately 6.37% after completion of the share subscription and capital contribution. The Directors do not expect that the transactions contemplated under the Capital Contribution Deed will have any material impact on the financial statements of the Company.

LISTING RULES IMPLICATIONS

The entering into of the Capital Contribution Deed between the Company and Fortune Oil PRC constitutes a material variation of the terms of the JV Deed which were previously announced by the Company in accordance with Chapter 14 of the Listing Rules and is, therefore, required to be disclosed pursuant to Rule 14.36 of the Listing Rules.

As the subscription and capital contribution are subject to fulfilment of certain conditions precedent and completion, there is no assurance that the subscription and capital contribution will proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Capital Contribution Deed”	the capital contribution deed dated 20 March 2023 entered into between the Company and Fortune Oil PRC in relation to the capital contribution with the outstanding amount under the shareholder loans for the subscription of new shares to be allotted and issued by the JV Company
“Subscription Shares”	the shares of the JV Company to be allotted and issued for subscription by each of Fortune Oil PRC and the Company under the Capital Contribution Deed
“%”	per cent

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

Hong Kong, 20 March 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.