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## **XIN YUAN ENTERPRISES GROUP LIMITED**

**信源企業集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code : 1748)**

### **CONNECTED TRANSACTION PURCHASE OF ASPHALT**

#### **PURCHASE AGREEMENT**

On 14 January 2019, Oasis Oriental, an indirect wholly-owned subsidiary of the Company, entered into the Purchase Agreement with Bilsea International pursuant to which Oasis Oriental agreed to purchase and Bilsea International agreed to sell approximately 4,500 metric tons (subject to upward or downward adjustment within the range of 5% at the option of Bilsea International) of asphalt 60/70 at the unit consideration of USD371.80 (equivalent to approximately HK\$2,900.04) per metric ton of asphalt 60/70.

The Purchase was completed on 8 February 2019, where the total amount of asphalt 60/70 actually transacted under the Purchase Agreement was 4,303.49 metric tons. Accordingly, the Total Consideration actually paid by Oasis Oriental to Bilsea International was USD1,600,000 (rounded down to the nearest USD100 as per the Invoice and equivalent to approximately HK\$12,480,000).

#### **LISTING RULES IMPLICATIONS**

As at the date of the Purchase Agreement, Bilsea International was owned as to 65% and 35% respectively by Ms. Liu Weipeng and Mr. Yan Xiankai (the spouse of Ms. Liu Weipeng), who were both the directors of Bilxin Shipping, being an indirectly wholly-owned subsidiary of the Company. Accordingly, Bilsea International was an associate of Ms. Liu Weipeng and Mr. Yan Xiankai and was therefore a connected person of the Company at subsidiary level pursuant to Rule 14A.07 of the Listing Rules. The Purchase thus constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) with respect to the Purchase calculated based on the Total Consideration actually paid by Oasis Oriental to Bilsea International were less than 5%, the Purchase was subject to the reporting and announcement requirements set out in Rule 14A.35 of the Listing Rules but was exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Due to the inadvertent oversight by some of the management of the Group involved in the Purchase, the Company failed to announce the entering into of the Purchase Agreement on 14 January 2019, which resulted in non-compliance of Rule 14A.35 of the Listing Rules.

## A. INTRODUCTION

On 14 January 2019, Oasis Oriental, an indirect wholly-owned subsidiary of the Company, entered into the Purchase Agreement with Bilsea International pursuant to which Oasis Oriental agreed to purchase and Bilsea International agreed to sell approximately 4,500 metric tons (subject to upward or downward adjustment within the range of 5% at the option of Bilsea International) of asphalt 60/70 at the unit consideration of USD371.80 (equivalent to approximately HK\$2,900.04) per metric ton of asphalt 60/70.

The Purchase was completed on 8 February 2019, where the total amount of asphalt 60/70 actually transacted under the Purchase Agreement was 4,303.49 metric tons. Accordingly, the Total Consideration actually paid by Oasis Oriental to Bilsea International was USD1,600,000 (rounded down to the nearest USD100 as per the Invoice and equivalent to approximately HK\$12,480,000).

## B. THE PURCHASE AGREEMENT

The principal terms of the Purchase Agreement are set out below:

**Date:** 14 January 2019

**Parties:** (i) Oasis Oriental, being the purchaser  
(ii) Bilsea International, being the vendor

**Subject matter:** Pursuant to the Purchase Agreement, Oasis Oriental agreed to purchase and Bilsea International agreed to sell approximately 4,500 metric tons (subject to upward or downward adjustment within the range of 5% at the option of Bilsea International) of asphalt 60/70.

**Consideration and payment terms:**

The unit consideration per metric ton of asphalt 60/70 was USD371.80 (equivalent to approximately HK\$2,900.04), which was arrived at after arm's length negotiation between the parties on normal commercial terms with reference to, among other things, the prevailing market price.

It was agreed that Oasis Oriental shall settle the Total Consideration based on the full Invoice value (and subject to any rounding adjustments provided therein) for the Purchase in full by telegraph transfer to Bilsea International's designated account within five working days prior to the bill of lading date.

The Purchase was completed on 8 February 2019, where the total amount of asphalt 60/70 actually transacted under the Purchase Agreement was 4,303.49 metric tons. Accordingly, the Total Consideration actually paid by Oasis Oriental to Bilsea International was USD1,600,000 (rounded down to the nearest USD100 as per the Invoice and equivalent to approximately HK\$12,480,000).

**C. REASONS FOR AND BENEFITS OF THE PURCHASE**

The Company is an investment holding company. The Group is principally engaged in the provision of asphalt tanker chartering services under various types of charter agreement comprising: (i) time charters; and (ii) voyage charters and contracts of affreightment. Oasis Oriental is an operating subsidiary of the Group principally engaged in the trading of asphalt.

Bilsea International is principally engaged in providing asphalt trading and transportation services.

The Group has decided to develop its business in trading asphalt since early 2019, with a view to improving its upstream and downstream supply chain, strengthening its relationship with major refineries, energy trading companies and end customers worldwide, as well as diversifying the business of the Group.

In relation to the selection of asphalt supplier, the Board considers that Bilsea International is a reputable asphalt trader with businesses all over Asia, Africa and the Americas, which has also developed long-term strategic alliances with regional shipowners, trading companies and end customers. As such, Bilsea International has the ability to procure a preferential right of supply of asphalt even at times of shortage in the market. Moreover, given the long-term co-operation relationship between the Group and Bilsea International as disclosed in the prospectus of the Company dated 11 September 2018, the Group would be able to bargain for a reliable and preferential access to the supply of asphalt from Bilsea International.

In view of the above, the Directors (including all independent non-executive Directors) are of the view that the terms of the Purchase Agreement were fair and reasonable, and the Purchase Agreement was entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interest of the Company and its shareholders as a whole.

#### **D. LISTING RULES IMPLICATIONS**

As at the date of the Purchase Agreement, Bilsea International was owned as to 65% and 35% respectively by Ms. Liu Weipeng and Mr. Yan Xiankai (the spouse of Ms. Liu Weipeng), who were both the directors of Bilxin Shipping, being an indirectly wholly-owned subsidiary of the Company. Accordingly, Bilsea International was an associate of Ms. Liu Weipeng and Mr. Yan Xiankai and was therefore a connected person of the Company at subsidiary level pursuant to Rule 14A.07 of the Listing Rules. The Purchase thus constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) with respect to the Purchase calculated based on the Total Consideration actually paid by Oasis Oriental to Bilsea International were less than 5%, the Purchase was subject to the reporting and announcement requirements set out in Rule 14A.35 of the Listing Rules but was exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Due to the inadvertent oversight by some of the management of the Group involved in the Purchase, the Company failed to announce the entering into of the Purchase Agreement on 14 January 2019, which resulted in a breach of Rule 14A.35 of the Listing Rules.

The breach of the Listing Rules was discovered in the course of preparing the interim report of the Company for the year 2019 and the Board immediately directed all management to report any and all connected transactions regardless of amount and terms.

A Board resolution was also passed to ratify, confirm and approve the Purchase Agreement together with the transactions contemplated thereunder, as well as the appropriate announcement. The Directors (including all independent non-executive Directors) are of the view that the terms of the Purchase Agreement were fair and reasonable, and the Purchase Agreement was entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interest of the Company and its shareholders as a whole. The Directors also consider that the failure by the Company to comply with Rule 14A.35 of the Listing Rules was inadvertent.

Since no Director has a material interest in the Purchase Agreement and the transactions contemplated thereunder, none of the Directors was required to abstain or has abstained from, voting on the relevant Board resolution.

In order to prevent the recurrence of similar incidents, the Company has taken remedial actions to ensure the full understanding of, and timely compliance with, the relevant Listing Rules, including re-circulation to the management and related departments of the Group the relevant Listing Rules and the Company's procedures regarding timely reporting to the senior management about potential connected transactions (including continuing connected transactions). Further, the Company will provide trainings to the management and related departments of the Group at least once annually in order to enhance their awareness and knowledge on, and also to allow them to keep abreast of the latest development in, the relevant Listing Rules.

## **E. DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“associate(s)”	has the meaning as defined in the Listing Rules
“Bilsea International”	Bilsea International Pte. Ltd., an exempt private company limited by shares incorporated in Singapore on 1 August 2008, which is owned as to 65% and 35% by Ms. Liu Weipeng and Mr. Yan Xiankai, who are directors of Bilxin Shipping and its subsidiaries, respectively, and a connected person of our Group
“Bilxin Shipping”	Bilxin Shipping Group Pte. Ltd., a private company limited by shares incorporated in Singapore on 15 July 2015, which is an indirect wholly-owned subsidiary of our Company
“Board”	the board of Directors of the Company
“Company”	Xin Yuan Enterprises Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 28 June 2016
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“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
“Invoice”	the invoice issued by Bilsea International to Oasis Oriental under the Purchase Agreement in relation to the settlement of the Total Consideration

“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Total Consideration”	the total consideration payable by Oasis Oriental to Bilsea International under the Purchase Agreement, calculated by multiplying the unit consideration of USD371.80 per metric ton of asphalt 60/70 by the actual amount of asphalt 60/70 purchased by Oasis Oriental from Bilsea International under the Purchase Agreement
“Oasis Oriental”	Oasis Oriental Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Purchase”	the purchase of asphalt under the Purchase Agreement
“Purchase Agreement”	the purchase agreement dated 14 January 2019 entered into between Bilsea International and Oasis Oriental for the sale and purchase of asphalt 60/70
“USD”	U.S. dollars, the lawful currency of the United States of America
“%”	per cent

*For the purpose of illustration only, amounts denominated in USD in this announcement are translated into HK\$ at the rate of US\$1 = HK\$7.80. This should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.*

By order of the Board of  
**XIN YUAN ENTERPRISES GROUP LIMITED**  
**Ding Xiaoli**  
*Chairman*

Hong Kong, 23 August 2019

*As at the date of this announcement, Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao are the executive Directors, and Mr. Lai Guanrong, Mr. Suen Chi Wai and Mr. Xu Jie are the independent non-executive Directors.*