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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF VESSEL

The Board is pleased to announce that the MOA in respect of the acquisition of the Vessel at a consideration of US\$15,600,000 (equivalent to approximately HK\$121,680,000) was entered into on 24 October 2019 between the Seller and the Buyer.

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

THE ACQUISITION

The Board is pleased to announce that the MOA in respect of the acquisition of the Vessel at a consideration of US\$15,600,000 (equivalent to approximately HK\$121,680,000) was entered into on 24 October 2019 between the Seller and the Buyer. Principal terms of the MOA are set out below:

Date of MOA

24 October 2019

Parties

Seller: Seller, together with its ultimate beneficial owner(s), are third parties independent of the Company and its connected persons as at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry

Buyer: Shun Yuen HK (or its guaranteed nominee), which is an indirect wholly-owned subsidiary of the Company as at the date of this announcement

Asset to be acquired

Pursuant to the MOA, the Buyer has agreed to buy and the Seller has agreed to sell the Vessel.

Based on the information available to the Company, set out below is the net profit (before and after tax) attributable to the Vessel for the two years ended 31 December 2017 and 31 December 2018 respectively:

	For the year ended 31 December 2018 (Unaudited) (US\$)	For the year ended 31 December 2017 (Unaudited) (US\$)
Net profit before tax	870,000	200,000
Net profit after tax	648,150	149,000

Consideration and payment terms

The Consideration is US\$15,600,000 (equivalent to approximately HK\$121,680,000) which shall be payable by the Buyer to the Seller in the following manners:

1. a deposit of 10% (the “**Deposit**”) of the Consideration shall be paid to the Seller’s nominated account (the “**Account**”) at the Seller’s bank in Japan (the “**Seller’s Bank**”) within three banking days (excluding Saturdays, Sundays and public holidays in Hong Kong, the PRC, the United States of America and Japan) (the “**Banking Day(s)**”) from the date that the MOA has been signed by the Buyer by scanned email, always subject to (i) the MOA has been mutually signed by the Buyer and the Seller and exchanged by email, (ii) the Account is opened, (iii) the Buyer’s safe receipt of the relevant guarantee letter signed and notarized by the Seller for the Deposit, the wording attached to which shall be accepted to the Buyer;

2. the balance of the Consideration in full free of bank charges, together with the exact amount for bunkers and lubricating oils to be remaining on board and other sums payable by the Buyer to the Seller (the “**Full Purchase Money**”) shall be remitted by the Buyer to the Seller not later than two Banking Days prior to the expected date of delivery of the Vessel;
3. both the Deposit and the Full Purchase Money shall be released/paid unconditionally to the Account at the Seller’s Bank, upon presentation to the Seller’s Bank the original of the protocol of delivery and acceptance, and any other bank documents required if any, duly signed by the authorised representatives of both the Seller and the Buyer; and
4. Any bank charge at the Seller’s Bank shall be borne equally by the Seller and the Buyer, and those outside the Seller’s Bank shall be borne solely by the Buyer.

The Consideration is funded by borrowings.

BASIS OF CONSIDERATION

The Consideration was determined (i) by reference to the valuation of the Vessel as appraised by the independent valuer on 23 October 2019 (the “**Valuation**”); (ii) by applying the appropriate adjustments to the Valuation by the Company in consideration of various material factors relating to the Vessel; and (iii) after arm’s length negotiations between the parties on normal commercial terms.

As the Company did not have access to the book value of the Vessel from the Seller, the Company obtained a valuation for the Vessel as appraised by the independent valuer to obtain an initial reference point for the determination of the Consideration. The Valuation as appraised by the independent valuer was US\$16,000,000 to US\$17,000,000 in respect of the Vessel. In appraising the Valuation, the independent valuer adopted the market value approach and considered the age, size and type of the Vessel, but without sighting the Vessel or its classification records. Accordingly, the Valuation provided by the independent valuer primarily served as an initial guidance for the Company’s consideration that was then subject to further adjustment based on the factors outlined below.

In determining the Consideration for the Vessel, the Company also considered the following factors to determine the appropriate adjustments (upwards or downwards) to the Valuation (i) the age and useful life of the Vessel; (ii) the general condition of the Vessel; (iii) the design of the Vessel and the shipyard where the Vessel was originally built; (iv) the classification records of the Vessel; (v) the types of cargo the Vessel can carry; and (vi) the date of the Vessel’s next dry dock inspection.

Upon consideration of the Valuation, possible relevant adjustments to the Valuation of the Vessel, and after arm’s length negotiations between the parties on normal commercial terms, the Directors consider that the Consideration arrived at in respect of the Vessel is fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE GROUP AND THE SELLER

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.

The Buyer is an indirect wholly-owned subsidiary of the Company principally engaged in the business of investment holding.

The Seller is a company incorporated in the Republic of Panama principally engaged in the shipping business.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Our Group principally provides asphalt tanker chartering services. Apart from stabilizing the current asphalt tanker chartering business, our Group is also looking for new development opportunities in the shipping market. Currently, the trade protectionism initiated by the government of the United States of America and the sanctions imposed by the United States of America against Iran and Venezuela have created uncertainties to the global asphalt tanker chartering industry. In light of the fact that the current market price of secondhand Capesize vessel is at a historical low point, purchasing the Vessel and entering into chartering agreement with customers could help locking in profits and combat the risks brought by escalation of trade wars and abrupt tightening of global economic conditions.

The Directors consider that the terms and conditions of the MOA, which were normal commercial terms and determined after arm's length negotiations, are fair and reasonable and that the Acquisition is in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Vessel under the MOA
“Board”	the board of Directors
“Buyer”	Shun Yuen HK or its guaranteed nominee
“Company”	Xin Yuan Enterprises Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 28 June 2016

“Consideration”	the consideration of US\$15,600,000 (equivalent to approximately HK\$121,680,000) payable by the Buyer to the Seller for the Acquisition
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOA”	a memorandum of agreement dated 24 October 2019 entered into between the Seller and the Buyer in relation to the Acquisition
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Administrative Region of the People’s Republic of China and Taiwan
“Seller”	a corporation organized, existing and duly registered in the Republic of Panama
“Shun Yuen HK”	Shun Yuen Group (Hong Kong) Limited (信源集團 (香港) 有限公司), a company incorporated in Hong Kong with limited liability on 19 August 2014, which is an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“Vessel”	a second-hand Capesize bulk carrier which the Buyer has agreed to buy from the Seller and the Seller has agreed to sell to the Buyer pursuant to the MOA
“%”	per cent

For the purpose of illustration only, amounts denominated in US\$ 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
Wang Faqing
Chairman

Hong Kong, 24 October 2019

As at the date of this announcement, Mr. Wang Faqing, 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.