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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

Reference is made to the announcement of the Company dated 17 July 2019 relating to the change in the proposed use of the Net Proceeds and the intended acquisition of the Vessel. The Board is pleased to announce that the MOA in respect of the acquisition of the Vessel at a consideration of US\$16.5 million (equivalent to approximately HK\$128.7 million) was entered into on 19 November 2019 among the Seller, the Buyer and the Guarantor.

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

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Date of MOA: 19 November 2019

Parties

- Seller:** Shinyo Diligence Limited, which together with its ultimate beneficial owner, are third parties independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry
- Buyer:** Begstella Shipping (Hongkong) Limited, which is an indirect wholly-owned subsidiary of the Company as at the date of this announcement
- Guarantor:** Shun Yuen Group (Hong Kong) Limited, which is an indirect wholly-owned subsidiary of the Company as at the date of this announcement, and which has agreed to guarantee the performance of the Buyer's obligation under the MOA

Asset to be acquired

Pursuant to the MOA, the Buyer has agreed to buy and the Seller has agreed to sell the Vessel with the following particulars:

| | |
|----------------------------|----------------------------|
| Name: | Shinyo Diligence |
| IMO Number: | 9330290 |
| Classification Society: | BV |
| Flag: | Republic of Liberia |
| Year of Build: | 2006 |
| Builder/Yard: | Namura Shipbuilding, Japan |
| Gross Tonnage/Net Tonnage: | 89,726/58,801 |
| Place of Registration: | Monrovia |

The Seller wholly owns 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 | 830,000 | 735,000 |
| Net profit after tax | 680,000 | 585,000 |

Consideration and payment terms

The Consideration is US\$16.5 million (equivalent to approximately HK\$128.7 million) which shall be payable by the Buyer to the Seller in the following manner:

1. a deposit of 15% (the “**Deposit**”) of the Consideration shall be paid in an interest bearing account (the “**Account**”) for the Parties with the deposit holder within three Banking Days after the date that (i) the MOA has been signed by the Parties and exchanged in original or by email or telefax; and (ii) the deposit holder has confirmed in writing to the Parties that the Account has been opened;
2. the balance of the Consideration and the estimated amount of all other sums payable on delivery by the Buyer to the Seller shall be remitted by the Buyer to the escrow account held by the deposit holder not later than one Banking Day prior to the expected date of delivery of the Vessel. Such balance and other sums shall be held to the order of the Buyer until they are released by the account holder on delivery to the Seller’s bank in accordance with the Buyer’s written instruction in a form agreed between the Parties and the account holder;
3. on delivery of the Vessel, but not later than three Banking Days after the date that notice of readiness has been given, (i) the Deposit shall be released to the Seller in accordance with joint written instructions of the Parties; and (ii) the balance of the Consideration and all other sums payable on delivery by the Buyer to the Seller under the MOA shall be paid in full free of bank charges to the Seller’s account; and
4. closing and exchange of protocol of delivery and acceptance and the rest of documents shall be effected by Buyer submitting the release instruction to the appropriate person representing the escrow account holder.

As disclosed in the announcement of the Company dated 17 July 2019, the Company intends to apply approximately US\$14.2 million (equivalent to approximately HK\$111.1 million) of the Net Proceeds to settle part of the Consideration, and the remaining will be funded by borrowings.

BASIS OF CONSIDERATION

The Consideration was determined (i) with reference to a valuation of the Vessel as appraised by an independent valuer on 17 July 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\$16.58 million (equivalent to approximately HK\$129.324 million) as at 17 July 2019. In appraising the Valuation, the independent valuer adopted the market value approach and considered the type, features, age, cargo capacity

and freight earnings of the Vessel. 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 (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, to determine the appropriate adjustments (upwards or downwards) to the Valuation.

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 ON 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 vessel chartering. The Guarantor is an indirect wholly-owned subsidiary of the Company principally engaged in investment holding.

The Seller is a company incorporated in the Republic of Liberia principally engaged in the shipping business. Fred Cheng is the ultimate beneficial owner of the Seller holding the entire issued share capital of the Seller.

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:

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| “Acquisition” | the acquisition of the Vessel under the MOA |
| “Banking Day(s)” | day(s) on which banks are open in the United States of America, the Republic of Singapore, Japan and Hong Kong |
| “Board” | the Board of Directors |
| “Buyer” | Begstella Shipping (Hongkong) Limited (海棠星船務(香港)有限公司), a company incorporated in Hong Kong with limited liability on 20 June 2017, which is an indirect wholly-owned subsidiary of the Company |
| “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\$16.5 million (equivalent to approximately HK\$128.7 million) payable by the Buyer to the Seller for the Acquisition |
| “Director(s)” | director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Guarantor” | 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 indirectly wholly-owned by 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 |

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| “MOA” | a memorandum of agreement dated 19 November 2019 entered into among the Seller, the Buyer and the Guarantor in relation to the Acquisition |
| “Net Proceeds” | the net proceeds of approximately HK\$123.2 million from the public offering and listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 26 September 2018 after deducting the listing expenses |
| “Parties” | the Seller, the Buyer and the Guarantor |
| “Seller” | Shinyo Diligence Limited, a company incorporated in the Republic of Liberia |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “Vessel” | the second-hand Capesize vessel named Shinyo Diligence, being the subject matter under the MOA, details of which are set out under the paragraph headed “The Acquisition — Asset to be acquired” in this announcement |
| “%” | 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, 19 November 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.