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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)**

### **VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF A VESSEL AND RESUMPTION OF TRADING**

#### **THE DISPOSAL**

The Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser on 29 June 2022 (after trading hours) to dispose of the Vessel. The consideration of the Vessel is US\$20,850,000. The Vessel will be delivered by the Vendor to the Purchaser or its guaranteed nominee between 1 August 2022 and 15 September 2022.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

#### **GENERAL**

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. A circular, containing, among other things, (i) further details of the Disposal; (ii) the pro forma financial information of the remaining Group; (iii) notice of the EGM; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31 July 2022 so as to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 30 June 2022 pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 5 July 2022.

**As completion of the Disposal is subject to a condition precedent, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **THE DISPOSAL**

The Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser on 29 June 2022 (after trading hours) for the disposal of the Vessel at a consideration of US\$20,850,000. The Vessel will be delivered by the Vendor to the Purchaser or its guaranteed nominee between 1 August 2022 and 15 September 2022.

## **THE AGREEMENT**

The principal terms of the Agreement are set forth below:

### **Date**

29 June 2022

### **Parties**

- (i) The Vendor; and
- (ii) The Purchaser

### **Subject Matter**

Pursuant to the Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Vessel.

### **Consideration**

Under the Agreement, the Vendor agrees to dispose of the Vessel for a consideration of US\$20,850,000 payable by the Purchaser as follows:

- (1) an initial deposit of 10% of the purchase price to be paid into the escrow account (i) before 30 June 2022; or (ii) 3 banking days on which banks are open in Hong Kong, New York, Taiwan and the People's Republic of China ("**Banking Day(s)**") after the opening of the escrow account and after the Agreement has been signed by the parties; or (iii) within 2 Banking Days after the Vendor fulfills the condition precedent, whichever is later; and

- (2) the 90% balance plus costs of lubricating and hydraulic oils will be payable by the Purchaser at least one Banking Day prior to the expected date of delivery of the Vessel into the escrow account.

The consideration of the Vessel of US\$20,850,000 was determined (i) by reference to the fair value of the Vessel, being US\$19,500,000 to US\$20,500,000, based on the valuation of the market value of the Vessel as at 10 January 2022 stated in the Valuation Report (the “**Valuation**”); (ii) by applying the appropriate adjustments to the Valuation by the Company in consideration of various material factors relating to the Vessel, including the then market supply and demand of similar vessels; and (iii) 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 interest of the Company and the Shareholders as a whole.

### **Vessel**

The Vessel is a bulker with a gross tonnage of 89,726, built in 2006 and registered in Monrovia.

The Vessel has been owned by the Group since 29 November 2019, and its unaudited net book value as at 29 June 2022 was approximately US\$15,300,000. The net profit attributable to the Vessel for each of the two financial years ended 31 December 2020 and 31 December 2021 are set out below:

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>
	(audited)	(audited)
	<i>US\$’000</i>	<i>US\$’000</i>
Net profit before taxation	1,172	1,551
Net profit after taxation	1,172	1,551

### **Condition Precedent**

Completion of the Disposal is conditional on the Company having obtained the requisite Shareholders’ approval in respect of the Agreement in accordance with the Listing Rules.

### **INFORMATION ON THE COMPANY AND THE VENDOR**

The Company is an investment holding company and its subsidiaries are 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 Vendor is a ship owning company and an indirect wholly-owned subsidiary of the Company as at the date of this announcement.

## **INFORMATION ON THE PURCHASER**

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the Purchaser is a company incorporated in Taiwan and its shares are listed on the Taipei Exchange (stock code: 2641) and is a third party independent of the Company and the connected persons of the Company as defined in the Listing Rules. The principal business activities of the Purchaser include the provision of ocean transport and shipping agency services.

## **POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS**

Based on the unaudited net book value of the Vessel as at 29 June 2022 as described above, the Group would realize a disposal gain of approximately US\$5.2 million on disposal of the Vessel. The disposal gain for the Vessel was calculated after estimated expenses of approximately US\$0.3 million, which mainly includes commission fees. However, the actual disposal gain which the Group would realize upon completion of the Disposal will depend on the net book value of the Vessel as at date of delivery in accordance with the Group's impairment and depreciation policy for its vessels as shown in the Company's annual report and the actual costs of disposal being incurred of the Vessel as at the date of delivery.

The Group intends to keep all net sale proceeds received as general working capital of the Group.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group continuously reviews the prevailing market conditions of the shipping industry and monitors and adjusts the Group's fleet profile as appropriate. Prior to the completion of the Disposal, the Group currently owns or leases a total of 12 vessels for its business operation for generation of revenue and profit, in which 2 are bulkers (including the Vessel). Our Directors believe that the Disposal will not have any material adverse effect on the operations of the Group and enable the Group to enhance its working capital position and further strengthen its liquidity, and optimize the fleet profile through ongoing management of its assets.

The Directors consider that the terms and conditions of the Agreement, which were determined after arm's length negotiations between the parties on normal commercial terms, are fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

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## DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Agreement”	the memorandum of agreement dated 29 June 2022 entered into between the Vendor and the Purchaser in respect of the disposal of the Vessel
“Board”	board of the Directors
“Company”	Xin Yuan Enterprises Group Limited (信源企業集團有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 28 June 2016 and its shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Vessel under the Agreement
“EGM”	an extraordinary general meeting of the Company to be convened and held to approve the Disposal
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Purchaser”	Franbo Lines Corp, a company whose shares are listed on the Taipei Exchange (stock code: 2641) or its guaranteed nominees
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	BEGSTELLA SHIPPING (HONGKONG) LIMITED (海棠星船務(香港)有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Valuation Report”	the valuation report dated 10 January 2022 prepared by an independent valuer adopting the market approach in respect of the market value of the Vessel as at 10 January 2022
“Vessel”	XYG Fortune with IMO No. 9330290
“%”	Per-cent

By order of the Board  
**XIN YUAN ENTERPRISES GROUP LIMITED**  
**Chen Ming**  
*Chairman*

Hong Kong, 4 July 2022

*As at the date of this announcement, Mr. Chen Ming, Mr. Chen Jiagan, Mr. Xu Wenjun, Mr. Ding Yuzhao and Mr. Lin Shifeng are the executive Directors, and Mr. Wei Shusong, Mr. Suen Chi Wai and Mr. Xu Jie are the independent non-executive Directors.*