

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in XIN YUAN ENTERPRISES GROUP LIMITED, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



## **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)**

### **1. VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF A VESSEL, 2. MAJOR TRANSACTION IN RELATION TO THE SALE AND LEASEBACK FINANCING ARRANGEMENTS OF LILSTELLA, ORCSTELLA, SAN DU AO AND ZHUANG YUAN AO AND 3. NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting (the “EGM”) of XIN YUAN ENTERPRISES GROUP LIMITED to be held at Units 5906–5912, 59/F, The Center, 99 Queen’s Road Central, Hong Kong on Monday, 22 August 2022 at 10:00 a.m., at which, among other things, the above proposals will be considered, is set out on pages 61 to 63 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (before 15 August 2022) or at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (on or after 15 August 2022) as soon as possible and in any event not less than 48 hours before the time of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

#### **PRECAUTIONARY MEASURES FOR THE EGM**

To safeguard the health and safety of the Shareholders, the Company will implement the following precautionary measures at the EGM to prevent the spreading of the COVID-19:

- (1) Compulsory body temperature checks will be conducted for every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue and be requested to leave the EGM venue;
- (2) Every attendee will be required to wear surgical facial mask throughout the EGM and maintain a safe distance between seats. Please note that no masks will be provided at the EGM venue and attendees should wear their own masks; and
- (3) The Company will not provide refreshments and will not distribute corporate gifts.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. In light of the continuing risks posed by the COVID-19, the Company encourages the Shareholders to consider appointing the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

8 August 2022

## CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	8
<b>Appendix I — Financial Information of the Group</b> .....	34
<b>Appendix II — Financial Information of the Vessel</b> .....	39
<b>Appendix III — Valuation Certificate of the Vessel</b> .....	40
<b>Appendix IV — Unaudited Pro Forma Financial Information of the Remaining Group</b> .....	45
<b>Appendix V — General Information</b> .....	54
<b>Notice of Extraordinary General Meeting</b> .....	61

## DEFINITIONS

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

“Actual Delivery Date”	the respective dates of delivery of Lilstella, Orcstella, San Du Ao and Zhuang Yuan Ao, as the context so requires, by the respective Owners to the respective Charterers under the respective Bareboat Charter Agreements
“Agreement”	the memorandum of agreement dated 29 June 2022 entered into between the Vendor and the Purchaser in respect of the Disposal
“Articles”	the articles of association of the Company
“Balloon I”	the amount which does not exceed the lower of (a) US\$2,000,000; or (b) 15% of the market value of Lilstella as provided in its valuation report, payable by Charterer I to Owner I on the expiry date of the charter period
“Balloon II”	the amount which does not exceed the lower of (a) US\$2,000,000; or (b) 15% of the market value of Orcstella as provided in its valuation report, payable by Charterer II to Owner II on the expiry date of the charter period
“Balloon III”	the amount which does not exceed the lower of (a) US\$2,000,000; or (b) 21% of the market value of San Du Ao as provided in its valuation report, payable by Charterer III to Owner III on the expiry date of the charter period
“Balloon IV”	the amount which does not exceed the lower of (a) US\$2,000,000; or (b) 17% of the market value of Zhuang Yuan Ao as provided in its valuation report, payable by Charterer IV to Owner IV on the expiry date of the charter period
“Bareboat Charter Agreement I”	the bareboat charter agreement dated 5 May 2022 entered between Charterer I (as charterer) and Owner I (as owner) in relation to the bareboat chartering of Lilstella
“Bareboat Charter Agreement II”	the bareboat charter agreement dated 10 June 2022 entered between Charterer II (as charterer) and Owner II (as owner) in relation to the bareboat chartering of Orcstella
“Bareboat Charter Agreement III”	the bareboat charter agreement dated 7 July 2022 entered between Charterer III (as charterer) and Owner III (as owner) in relation to the bareboat chartering of San Du Ao

## DEFINITIONS

“Bareboat Charter Agreement IV”	the bareboat charter agreement dated 7 July 2022 entered between Charterer IV (as charterer) and Owner IV (as owner) in relation to the bareboat chartering of Zhuang Yuan Ao
“Bareboat Charter Agreements”	the Bareboat Charter Agreement I, the Bareboat Charter Agreement II, the Bareboat Charter Agreement III and the Bareboat Charter Agreement IV, collectively
“Board”	the board of Directors
“Charterer I”	Z&L Blue Whale Shipping Limited (藍鯨船務有限公司), a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“Charterer II”	Z&L Flying Fish Shipping Limited (飛魚船務有限公司), a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“Charterer III”	Xin Yuan Ocean Shipping (HK) Group Limited (信源遠洋運輸(香港)集團有限公司), a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“Charterer IV”	Xin De Yuan (Hong Kong) Shipping Limited (信德源(香港)船務有限公司), a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“Charterers”	Charterer I, Charterer II, Charterer III and Charterer IV, collectively
“Companies Act”	the Companies Act (2022 Revision) of the Cayman Islands, as amended, consolidated or otherwise modified from time to time
“Company”	Xin Yuan Enterprises Group Limited (信源企業集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1748)
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Vessel under the Agreement

## DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held at Units 5906–5912, 59/F, The Center, 99 Queen’s Road Central, Hong Kong on Monday, 22 August 2022 at 10:00 a.m., notice of which is set out on pages 61 to 63 of this circular and any adjournment thereof
“Finance Principal I”	the amount which is the lower of (a) US\$9,750,000; or (b) 75% of the market value of Lilstella as provided in its valuation report
“Finance Principal II”	the amount which is the lower of (a) US\$9,750,000; or (b) 75% of the market value of Orcstella as provided in its valuation report
“Finance Principal III”	the amount which is the lower of (a) US\$7,125,000; or (b) 75% of the market value of San Du Ao as provided in its valuation report
“Finance Principal IV”	the amount which is the lower of (a) US\$8,625,000; or (b) 75% of the market value of Zhuang Yuan Ao as provided in its valuation report
“Group”	the Company and its subsidiaries
“Hire Period”	each and every three-month period during the charter period with the first Hire Period commenced on the Actual Delivery Date provided that if a Hire Period would otherwise extend beyond the expiration of the charter period, then such Hire Period shall terminate on the expiration of the charter period
“HK\$” and “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	5 August 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lilstella”	the vessel Lilstella with IMO No. 9794771, being the subject of the Sale and Leaseback (May 2022) Transactions
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

## DEFINITIONS

“Memorandum of Agreement I”	the memorandum of agreement dated 5 May 2022 entered between Charterer I and Owner I in relation to the sale and purchase of Lilstella
“Memorandum of Agreement II”	the memorandum of agreement dated 10 June 2022 entered between Charterer II and Owner II in relation to the sale and purchase of Orcstella
“Memorandum of Agreement III”	the memorandum of agreement dated 7 July 2022 entered between Charterer III and Owner III in relation to the sale and purchase of San Du Ao
“Memorandum of Agreement IV”	the memorandum of agreement dated 7 July 2022 entered between Charterer IV and Owner IV in relation to the sale and purchase of Zhuang Yuan Ao
“Memoranda of Agreement”	the Memorandum of Agreement I, the Memorandum of Agreement II, the Memorandum of Agreement III and the Memorandum of Agreement IV, collectively
“Orcstella”	the vessel Orcstella with IMO No. 9794783, being the subject of the Sale and Leaseback (June 2022) Transactions
“Owner I”	Bright Lilstella Shipping Ltd, a company incorporated under the laws of the Republic of Marshall Islands
“Owner II”	Bright Orcstella Shipping Ltd, a company incorporated under the laws of the Republic of Marshall Islands
“Owner III”	Bright Sandu Shipping Ltd, a company incorporated under the laws of the Republic of Marshall Islands
“Owner IV”	Bright Zhuangyuan Shipping Ltd, a company incorporated under the laws of the Republic of Marshall Islands
“Owners”	Owner I, Owner II, Owner III and Owner IV, collectively
“PRC”	the People’s Republic of China

## DEFINITIONS

“Purchase Obligation”	the purchase obligation as set out in the sections headed “ <i>I. THE SALE AND LEASEBACK OF LILSTELLA — Purchase Obligation</i> ”, “ <i>II. THE SALE AND LEASEBACK OF ORCSTELLA — Purchase Obligation</i> ”, “ <i>III. THE SALE AND LEASEBACK OF SAN DU AO — Purchase Obligation</i> ” and “ <i>IV. THE SALE AND LEASEBACK OF ZHUANG YUAN AO — Purchase Obligation</i> ”, respectively under “ <i>3. THE SALE AND LEASEBACK TRANSACTIONS</i> ” in the Letter from the Board in this circular
“Purchase Option”	the purchase option as set out in the sections headed “ <i>I. THE SALE AND LEASEBACK OF LILSTELLA — Purchase Option</i> ”, “ <i>II. THE SALE AND LEASEBACK OF ORCSTELLA — Purchase Option</i> ”, “ <i>III. THE SALE AND LEASEBACK OF SAN DU AO — Purchase Option</i> ” and “ <i>IV. THE SALE AND LEASEBACK OF ZHUANG YUAN AO — Purchase Option</i> ”, respectively under “ <i>3. THE SALE AND LEASEBACK TRANSACTIONS</i> ” in the Letter from the Board in this circular
“Purchaser”	Franbo Lines Corp, a company whose shares are listed on the Taipei Exchange (stock code: 2641) or its guaranteed nominees
“Remaining Group”	the Group after completion of the Disposal
“Sale and Leaseback (May 2022) Transactions”	the transactions contemplated under the Transaction Documents I in relation to Lilstella as described in the announcement of the Company dated 5 May 2022
“Sale and Leaseback (June 2022) Transactions”	the transactions contemplated under the Transaction Documents II in relation to Orcstella as described in the announcement of the Company dated 10 June 2022
“Sale and Leaseback (July 2022) Transactions”	the transactions contemplated under the Transaction Documents III and the Transaction Documents IV in relation to San Du Ao and Zhuang Yuan Ao, respectively, as described in the announcement of the Company dated 7 July 2022
“Sale and Leaseback Transactions”	the Sale and Leaseback (May 2022) Transactions, the Sale and Leaseback (June 2022) Transactions and the Sale and Leaseback (July 2022) Transactions, collectively

## DEFINITIONS

“San Du Ao”	the vessel San Du Ao with IMO No. 9608752, being one of the subjects of the Sale and Leaseback (July 2022) Transactions
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Transaction Documents I”	the Memorandum of Agreement I, the Bareboat Charter Agreement I, the Guarantee I, the Other Documents I and such other documents as may be designated as agreed by Owner I and Charterer I from time to time
“Transaction Documents II”	the Memorandum of Agreement II, the Bareboat Charter Agreement II, the Guarantee II, the Other Documents II and such other documents as may be designated as agreed by Owner II and Charterer II from time to time
“Transaction Documents III”	the Memorandum of Agreement III, the Bareboat Charter Agreement III, the Guarantee III, the Other Documents III and such other documents as may be designated as agreed by Owner III and Charterer III from time to time
“Transaction Documents IV”	the Memorandum of Agreement IV, the Bareboat Charter Agreement IV, the Guarantee IV, the Other Documents IV and such other documents as may be designated as agreed by Owner IV and Charterer IV from time to time
“US\$”	United States dollar(s), the lawful currency of the United States of America
“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

## DEFINITIONS

“Vessel”	XYG Fortune with IMO No. 9330290, being the subject of the Disposal
“Zhuang Yuan Ao”	the vessel Zhuang Yuan Ao with IMO No. 9650339, being one of the subjects of the Sale and Leaseback (July 2022) Transactions
“%”	per cent



**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)**

*Executive Directors*

Mr. Chen Ming (*Chairman*)  
Mr. Chen Jiagan (*Vice chairman*)  
Mr. Xu Wenjun (*Chief executive officer*)  
Mr. Ding Yuzhao  
Mr. Lin Shifeng

*Registered Office:*

P.O. Box 31119  
Grand Pavilion  
Hibiscus Way, 802 West Bay Road  
Grand Cayman KY1-1205  
Cayman Islands

*Independent Non-executive Directors*

Mr. Wei Shusong  
Mr. Suen Chi Wai  
Mr. Xu Jie

*Principal place of business and head office  
in the PRC:*

Room 02-05, 40th Floor  
International Commerce Centre  
No. 23 Changting Street  
Taijiang, Fuzhou  
China

*Principal place of business in Hong Kong:*

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai, Hong Kong

8 August 2022

*To Shareholder(s)*

Dear Sir or Madam,

**1. VERY SUBSTANTIAL DISPOSAL  
IN RELATION TO THE DISPOSAL OF A VESSEL,  
2. MAJOR TRANSACTION  
IN RELATION TO THE SALE AND LEASEBACK FINANCING  
ARRANGEMENTS OF LILSTELLA, ORCSTELLA,  
SAN DU AO AND ZHUANG YUAN AO  
AND  
3. NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to (i) the announcement of the Company dated 4 July 2022, in which it was announced that 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

## LETTER FROM THE BOARD

Vessel at a consideration of US\$20,850,000; and (ii) the announcements of the Company dated 5 May 2022, 10 June 2022 and 7 July 2022 in relation to the Sale and Leaseback (May 2022) Transactions, the Sale and Leaseback (June 2022) Transactions and the Sale and Leaseback (July 2022) Transactions, respectively.

The purpose of this circular is to provide you with, among other things, further details in relation to the Agreement and the transactions contemplated thereunder, the Sale and Leaseback Transactions, the notice of the EGM and such other information as required by the Listing Rules.

## 2. THE DISPOSAL

### THE AGREEMENT

#### 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 PRC (“**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.

## LETTER FROM THE BOARD

The consideration of the Vessel of US\$20,850,000 was determined (i) by reference to the fair value of the Vessel, being US\$21,080,000, based on the valuation of the market value of the Vessel as at 26 June 2022 stated in the valuation certificate dated 2 August 2022 prepared by an independent valuer adopting the market approach (the “**Valuation of the Vessel**”); (ii) by applying the appropriate adjustments to the Valuation of the Vessel by the Company in consideration of various material factors relating to the Vessel, including (a) the then market price of the Vessel, (b) the then market supply and demand of similar vessels, (c) the quotation provided by the Purchaser and (d) the book value of the Vessel; 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.

### **The 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.

## **3. THE SALE AND LEASEBACK FINANCING ARRANGEMENTS**

### **I. THE SALE AND LEASEBACK OF LILSTELLA**

#### **MEMORANDUM OF AGREEMENT I AND BAREBOAT CHARTER AGREEMENT I**

#### **Date**

5 May 2022

#### **Parties**

- (i) Charterer I (as seller under the Memorandum of Agreement I and as charterer under the Bareboat Charter Agreement I)

## LETTER FROM THE BOARD

- (ii) Owner I (as purchaser under the Memorandum of Agreement I and as owner under the Bareboat Charter Agreement I)

### Subject Matter

Pursuant to the Memorandum of Agreement I, Charterer I agreed to sell, and Owner I agreed to purchase, Lilstella. Pursuant to the Bareboat Charter Agreement I, Charterer I agreed to lease back Lilstella from Owner I, immediately after the delivery of Lilstella from Charterer I to Owner I pursuant to the Memorandum of Agreement I.

### Lilstella

Lilstella is an asphalt tanker with a gross tonnage of 7,293, built in 2016. As at 31 December 2021, the net asset book value of Lilstella was approximately US\$15,080,000. The net profit attributable to Lilstella 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 loss before taxation	(206)	(986)
Net loss after taxation	(206)	(986)

### Consideration

Pursuant to the Memorandum of Agreement I, the purchase price of Lilstella is US\$13,000,000 and shall be settled by Owner I through telegraphic transfer, net of the advance hire and the deposit paid by Charterer I under the Bareboat Charter Agreement I.

The purchase price of Lilstella was determined (i) by reference to the fair value of Lilstella, being US\$15,000,000, based on the valuation of the market value of Lilstella as at 22 April 2022 stated in the valuation report dated 22 April 2022 prepared by an independent valuer adopting the market approach (the “**Valuation of Lilstella**”); (ii) by applying the appropriate adjustments to the Valuation of Lilstella by the Company in consideration of various material factors relating to Lilstella, 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 purchase price arrived at in respect of Lilstella is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Charter Period

The charter period shall be a period of 72 months commencing from the Actual Delivery Date.

## LETTER FROM THE BOARD

### **Deposit**

Charterer I shall pay a deposit in an amount equal to 1.5% of the Finance Principal I to Owner I before the Actual Delivery Date pursuant to the Bareboat Charter Agreement I.

### **Charter Hire**

The charter hire, being all and any hire for use of Lilstella payable by Charterer I, for each Hire Period shall be paid on the last day of the relevant Hire Period (each, a “**Hire Payment Date**”), except for the Advance Hire I (as defined below), and shall consist of:

- (i) an advance hire of US\$3,250,000, being an amount equal to the difference between the purchase price of Lilstella and the Finance Principal I (the “**Advanced Hire I**”) payable on the Actual Delivery Date;
- (ii) a fixed hire of US\$322,917, being an amount equal to the Finance Principal I minus the Balloon I in the sum of US\$7,750,000 divided by 24 consecutive quarterly equal instalments (the “**Fixed Hire I**”); and
- (iii) a variable hire: an amount calculated by multiplying (a) the purchase price of Lilstella as may be reduced by payment of the Advanced Hire I, the Fixed Hire I and the Balloon I immediately prior to the relevant Hire Payment Date; (b) the aggregate of the margin of 3.75% per annum and the Applicable Rate (as defined in the Bareboat Charter Agreement I); and (c) a fraction whose denominator is 360 and whose numerator is the number of days elapsed during the relevant Hire Period.

### **Purchase Option**

At any time after and including the 2nd anniversary of the Actual Delivery Date of Lilstella and before the expiry date of the charter period and with at least 90 days’ written notice, Charterer I has the option to purchase Lilstella by the payment to Owner I of the relevant outstanding Finance Principal I plus other sums due and payable but being unpaid under the Bareboat Charter Agreement I plus the prepayment fee at the applicable purchase date subject to the conditions set out in the Bareboat Charter Agreement I.

### **Purchase Obligation**

Unless Charterer I has exercised the Purchase Option, Charterer I shall, upon the expiry date of the charter period, purchase Lilstella from Owner I in the amount of US\$100 together with all unpaid sums and break cost (if any) subject to the conditions set out in the Bareboat Charter Agreement I.

## LETTER FROM THE BOARD

### OTHER DOCUMENTS

In connection with the transactions contemplated under the Memorandum of Agreement I and the Bareboat Charter Agreement I, the following documents (collectively, the “**Other Documents I**”), among others, will be entered into on the Actual Delivery Date, except that the Deed of Accession (as defined below) has been entered into on 5 May 2022:

- (i) a deed of assignment executed by Charterer I in favour of Good Trend Shipping Limited, a company incorporated under the laws of Hong Kong (the “**Trustee**”), in relation to certain Charterer I’s rights and interest in and to, among others, the earnings, insurances, requisition compensation and any sub-charter in respect of Lilstella;
- (ii) a commercial manager’s undertaking executed by Fujian Xinyuanxinlanhai Import and Export Trade Co., Ltd. (福建信源新藍海進出口貿易有限公司), a company incorporated under the laws of the PRC, in favour of the Trustee; and
- (iii) a deed of accession (the “**Deed of Accession**”) in respect of the security trust deed dated 2 March 2021 (as set out in the announcement of the Company dated 24 May 2021, under which the Trustee was appointed to hold certain property on trust) executed by, among others, Owner I and Charterer I.

### GUARANTEE

The Company, as the parent company of the Charterer, has entered into a guarantee in favour of the Owner I on 5 May 2022 (the “**Guarantee I**”) in respect of, among others:

- (i) to guarantee the punctual performance by, Charterer I of all of its obligations under the Transaction Documents I;
- (ii) to undertake to Owner I that whenever Charterer I does not pay any amount when due under or in connection with any of the Transaction Documents I, the Company shall immediately on demand pay that amount as if it were the principal obligor; and
- (iii) to agree with Owner I that if any obligation guaranteed by the Company is or becomes unenforceable, invalid or illegal, the Company will, as an independent and primary obligation, indemnify Owner I immediately on demand against any cost, loss or liability it incurs as a result of Charterer I not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any of the Transaction Documents I on the date when it would have been due. The amount payable by the Company under this indemnity will not exceed the amount it would have had to pay under the Guarantee I if the amount claimed had been recoverable on the basis of a guarantee.

## LETTER FROM THE BOARD

### II. THE SALE AND LEASEBACK OF ORCSTELLA

#### MEMORANDUM OF AGREEMENT II AND BAREBOAT CHARTER AGREEMENT II

##### Date

10 June 2022

##### Parties

- (i) Charterer II (as seller under the Memorandum of Agreement II and as charterer under the Bareboat Charter Agreement II)
- (ii) Owner II (as purchaser under the Memorandum of Agreement II and as owner under the Bareboat Charter Agreement II)

##### Subject Matter

Pursuant to the Memorandum of Agreement II, Charterer II agreed to sell, and Owner II agreed to purchase, Orcstella. Pursuant to the Bareboat Charter Agreement II, Charterer II agreed to lease back Orcstella from Owner II, immediately after the delivery of Orcstella from Charterer II to Owner II pursuant to the Memorandum of Agreement II.

##### Orcstella

Orcstella is an asphalt tanker with a gross tonnage of 7,293, built in 2017. As at 31 December 2021, the net asset book value of Orcstella was approximately US\$15,210,000. The net profit attributable to Orcstella 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/(loss) before taxation	1,210	(325)
Net profit/(loss) after taxation	1,210	(325)

##### Consideration

Pursuant to the Memorandum of Agreement II, the purchase price of Orcstella is US\$13,000,000 and shall be settled by Owner II through telegraphic transfer, net of the advance hire and the deposit paid by Charterer II under the Bareboat Charter Agreement II.

The purchase price of Orcstella was determined (i) by reference to the fair value of Orcstella, being US\$15,200,000, based on the valuation of the market value of Orcstella as at 20 May 2022 stated in the valuation report dated 23 May 2022 prepared by an

## LETTER FROM THE BOARD

independent valuer adopting the market approach (the “**Valuation of Orcstella**”); (ii) by applying the appropriate adjustments to the Valuation of Orcstella by the Company in consideration of various material factors relating to Orcstella, 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 purchase price arrived at in respect of Orcstella is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Charter Period**

The charter period shall be a period of 72 months commencing from the Actual Delivery Date.

### **Deposit**

Charterer II shall pay a deposit in an amount equal to 1.5% of the Finance Principal II to Owner II before the Actual Delivery Date pursuant to the Bareboat Charter Agreement II.

### **Charter Hire**

The charter hire, being all and any hire for use of Orcstella payable by Charterer II, for each Hire Period shall be paid on the applicable Hire Payment Date, except for the Advance Hire II (as defined below), and shall consist of:

- (i) an advance hire of US\$3,250,000, being an amount equal to the difference between the purchase price of Orcstella and the Finance Principal II (the “**Advanced Hire II**”) payable on the Actual Delivery Date;
- (ii) a fixed hire of US\$322,917, being an amount equal to the Finance Principal II minus the Balloon II in the sum of US\$7,750,000 divided by 24 consecutive quarterly equal instalments (the “**Fixed Hire II**”); and
- (iii) a variable hire: an amount calculated by multiplying (a) the purchase price of Orcstella as may be reduced by payment of the Advanced Hire II, the Fixed Hire II and the Balloon II immediately prior to the relevant Hire Payment Date; (b) the aggregate of the margin of 3.75% per annum and the Applicable Rate (as defined in the Bareboat Charter Agreement II); and (c) a fraction whose denominator is 360 and whose numerator is the number of days elapsed during the relevant Hire Period.

### **Purchase Option**

At any time after and including the 2nd anniversary of the Actual Delivery Date of Orcstella and before the expiry date of the charter period and with at least 90 days’ written notice, Charterer II has the option to purchase Orcstella by the payment to Owner II of the relevant outstanding Finance Principal II plus other sums due and payable but being unpaid under the Bareboat Charter Agreement II plus the prepayment fee at the applicable purchase date subject to the conditions set out in the Bareboat Charter Agreement II.

## LETTER FROM THE BOARD

### Purchase Obligation

Unless Charterer II has exercised the Purchase Option, Charterer II shall, upon the expiry date of the charter period, purchase Orcstella from Owner II in the amount of US\$100 together with all unpaid sums and break cost (if any) subject to the conditions set out in the Bareboat Charter Agreement II.

### OTHER DOCUMENTS

In connection with the transactions contemplated under the Memorandum of Agreement II and the Bareboat Charter Agreement II, the following documents (collectively, the “**Other Documents II**”), among others, will be entered into on the Actual Delivery Date, except that the Deed of Accession has been entered into on 5 May 2022:

- (i) a deed of assignment executed by Charterer II in favour of the Trustee in relation to certain Charterer II’s rights and interest in and to, among others, the earnings, insurances, requisition compensation and any sub-charter in respect of Orcstella;
- (ii) a commercial manager’s undertaking executed by Fujian Xinyuanxinlanhai Import and Export Trade Co., Ltd. (福建信源新藍海進出口貿易有限公司), a company incorporated under the laws of the PRC, in favour of the Trustee; and
- (iii) the Deed of Accession executed by, among others, Owner II and Charterer II.

### GUARANTEE

The Company, as the parent company of Charterer II, has entered into a guarantee in favour of Owner II on 10 June 2022 (the “**Guarantee II**”) in respect of, among others:

- (i) to guarantee the punctual performance by, Charterer II of all of its obligations under the Transaction Documents II;
- (ii) to undertake to Owner II that whenever Charterer II does not pay any amount when due under or in connection with any of the Transaction Documents II, the Company shall immediately on demand pay that amount as if it were the principal obligor; and
- (iii) to agree with Owner II that if any obligation guaranteed by the Company is or becomes unenforceable, invalid or illegal, the Company will, as an independent and primary obligation, indemnify Owner II immediately on demand against any cost, loss or liability it incurs as a result of Charterer II not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any of the Transaction Documents II on the date when it would have been due. The amount payable by the Company under this indemnity will not exceed the amount it would have had to pay under the Guarantee II if the amount claimed had been recoverable on the basis of a guarantee.

## LETTER FROM THE BOARD

### III. THE SALE AND LEASEBACK OF SAN DU AO

#### MEMORANDUM OF AGREEMENT III AND BAREBOAT CHARTER AGREEMENT III

##### Date

7 July 2022

##### Parties

- (i) Charterer III (as seller under the Memorandum of Agreement III and as charterer under the Bareboat Charter Agreement III)
- (ii) Owner III (as purchaser under the Memorandum of Agreement III and as owner under the Bareboat Charter Agreement III)

##### Subject Matter

Pursuant to the Memorandum of Agreement III, Charterer III conditionally agreed to sell, and Owner III conditionally agreed to purchase, San Du Ao. Pursuant to the Bareboat Charter Agreement III, Charterer III agreed to lease back San Du Ao from Owner III, immediately after the delivery of San Du Ao from Charterer III to Owner III pursuant to the Memorandum of Agreement III.

##### San Du Ao

San Du Ao is an asphalt tanker with a gross tonnage of 9,963, built in 2011. As at 31 December 2021, the net asset book value of San Du Ao was approximately US\$12,685,000. The net profit attributable to San Du Ao 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	3,324	1,036
Net profit after taxation	3,324	1,036

##### Consideration

Pursuant to the Memorandum of Agreement III, the purchase price of San Du Ao is US\$9,500,000 and shall be settled by Owner III through telegraphic transfer, net of an advance hire and a deposit paid by Charterer III under the Bareboat Charter Agreement III.

## LETTER FROM THE BOARD

The purchase price of San Du Ao was determined (i) by reference to the fair value of San Du Ao, being US\$13,100,000, based on the valuation of the market value of San Du Ao as at 20 January 2022 stated in the valuation report dated 24 January 2022 prepared by an independent valuer adopting the market approach (the “**Valuation of San Du Ao**”); (ii) by applying the appropriate adjustments to the Valuation of San Du Ao by the Company in consideration of various material factors relating to San Du Ao, 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 purchase price arrived at in respect of San Du Ao is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Charter Period**

The charter period shall be a period of 60 months commencing from the Actual Delivery Date.

### **Deposit**

Charterer III shall pay a deposit in an amount equal to 1.5% of the Finance Principal III to Owner III before the Actual Delivery Date pursuant to the Bareboat Charter Agreement III.

### **Charter Hire**

The charter hire, being all and any hire for use of San Du Ao payable by Charterer III, for each Hire Period shall be paid on the applicable Hire Payment Date, except for the Advance Hire III (as defined below), and shall consist of:

- (i) an advance hire of US\$2,375,000, being an amount equal to the difference between the purchase price of San Du Ao and the Finance Principal III (the “**Advanced Hire III**”) payable on the Actual Delivery Date;
- (ii) a fixed hire of US\$256,250, being an amount equal to the Finance Principal III minus the Balloon III in the sum of US\$5,125,000 divided by 20 consecutive quarterly equal instalments (the “**Fixed Hire III**”); and
- (iii) a variable hire: an amount calculated by multiplying (a) the purchase price of San Du Ao as may be reduced by payment of the Advanced Hire III, the Fixed Hire III and the Balloon III immediately prior to the relevant Hire Payment Date; (b) the aggregate of the margin of 3.75% per annum and the Applicable Rate (as defined in the Bareboat Charter Agreement III); and (c) a fraction whose denominator is 360 and whose numerator is the number of days elapsed during the relevant Hire Period.

## LETTER FROM THE BOARD

### Conditions Precedent

Completion and the obligation of Owner III to charter San Du Ao to Charterer III is conditional upon, among other things:

- (i) the satisfaction of the conditions precedent as set out in the Bareboat Charter Agreement III;
- (ii) the Company having obtained the requisite Shareholders' approval in respect of the Memorandum of Agreement III and the Bareboat Charter Agreement III and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (iii) Owner III and Charterer III having obtained all other necessary consent, licence, approval, authorisation or other document, opinion or assurance in connection with their entry into and performance of the transactions contemplated by any of the Transaction Documents III or for the validity and enforceability thereof.

### Purchase Option

At any time after and including the 2nd anniversary of the Actual Delivery Date of San Du Ao and before the expiry date of the charter period and with at least 90 days' written notice, Charterer III has the option to purchase San Du Ao by the payment to Owner III of the relevant outstanding Finance Principal III plus other sums due and payable but being unpaid under the Bareboat Charter Agreement III plus the prepayment fee at the applicable purchase date subject to the conditions set out in the Bareboat Charter Agreement III.

### Purchase Obligation

Unless Charterer III has exercised the Purchase Option, Charterer III shall, upon the expiry date of the charter period, purchase San Du Ao from Owner III in the amount of US\$100 together with all unpaid sums and break cost (if any) subject to the conditions set out in the Bareboat Charter Agreement III.

### OTHER DOCUMENTS

In connection with the transactions contemplated under the Memorandum of Agreement III and the Bareboat Charter Agreement III, the following documents (collectively, the "**Other Documents III**"), among others, will be entered into on the Actual Delivery Date, except that the Deed of Accession has been entered into on 5 May 2022:

- (i) a deed of assignment executed by Charterer III in favour of the Trustee in relation to certain Charterer III's rights and interest in and to, among others, the earnings, insurances, requisition compensation and any sub-charter in respect of San Du Ao;

## LETTER FROM THE BOARD

- (ii) a commercial manager's undertaking executed by Fujian Xinyuanxinlanhai Import and Export Trade Co., Ltd. (福建信源新藍海進出口貿易有限公司), a company incorporated under the laws of the PRC, in favour of the Trustee; and
- (iii) the Deed of Accession executed by, among others, Owner III and Charterer III.

### GUARANTEE

The Company, as the parent company of Charterer III, has entered into a guarantee in favour of Owner III on 7 July 2022 (the “**Guarantee III**”) in respect of, among others:

- (i) to guarantee the punctual performance by Charterer III of all of its obligations under the Transaction Documents III;
- (ii) to undertake to Owner III that whenever Charterer III does not pay any amount when due under or in connection with any of the Transaction Documents III, the Company shall immediately on demand pay that amount as if it were the principal obligor; and
- (iii) to agree with Owner III that if any obligation guaranteed by the Company is or becomes unenforceable, invalid or illegal, the Company will, as an independent and primary obligation, indemnify Owner III immediately on demand against any cost, loss or liability it incurs as a result of Charterer III not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any of the Transaction Documents III on the date when it would have been due. The amount payable by the Company under this indemnity will not exceed the amount it would have had to pay under the Guarantee III if the amount claimed had been recoverable on the basis of a guarantee.

## IV. THE SALE AND LEASEBACK OF ZHUANG YUAN AO

### MEMORANDUM OF AGREEMENT IV AND BAREBOAT CHARTER AGREEMENT IV

#### Date

7 July 2022

#### Parties

- (i) Charterer IV (as seller under the Memorandum of Agreement IV and as charterer under the Bareboat Charter Agreement IV)
- (ii) Owner IV (as purchaser under the Memorandum of Agreement IV and as owner under the Bareboat Charter Agreement IV)

## LETTER FROM THE BOARD

### Subject Matter

Pursuant to the Memorandum of Agreement IV, Charterer IV conditionally agreed to sell, and Owner IV conditionally agreed to purchase, Zhuang Yuan Ao. Pursuant to the Bareboat Charter Agreement IV, Charterer IV agreed to lease back Zhuang Yuan Ao from Owner IV, immediately after the delivery of Zhuang Yuan Ao from Charterer IV to Owner IV pursuant to the Memorandum of Agreement IV.

### Zhuang Yuan Ao

Zhuang Yuan Ao is an asphalt tanker with a gross tonnage of 9,963, built in 2012. As at 31 December 2021, the net asset book value of Zhuang Yuan Ao was approximately US\$16,660,000. The net profit attributable to Zhuang Yuan Ao 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	513	359
Net profit after taxation	513	359

### Consideration

Pursuant to the Memorandum of Agreement IV, the purchase price of Zhuang Yuan Ao is US\$11,500,000 and shall be settled by Owner IV through telegraphic transfer, net of an advance hire and a deposit paid by Charterer IV under the Bareboat Charter Agreement IV.

The purchase price of Zhuang Yuan Ao was determined (i) by reference to the fair value of Zhuang Yuan Ao, being US\$16,700,000, based on the valuation of the market value of Zhuang Yuan Ao as at 20 January 2022 stated in the valuation report dated 24 January 2022 prepared by an independent valuer adopting the market approach (the “**Valuation of Zhuang Yuan Ao**”); (ii) by applying the appropriate adjustments to the Valuation of Zhuang Yuan Ao by the Company in consideration of various material factors relating to Zhuang Yuan Ao, 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 purchase price arrived at in respect of Zhuang Yuan Ao is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Charter Period

The charter period shall be a period of 60 months commencing from the Actual Delivery Date.

## LETTER FROM THE BOARD

### Deposit

Charterer IV shall pay a deposit in an amount equal to 1.5% of the Finance Principal IV to Owner IV before the Actual Delivery Date pursuant to the Bareboat Charter Agreement IV.

### Charter Hire

The charter hire, being all and any hire for use of Zhuang Yuan Ao payable by Charterer IV, for each Hire Period shall be paid on the applicable Hire Payment Date, except for the Advance Hire IV (as defined below), and shall consist of:

- (i) an advance hire of US\$2,875,000, being an amount equal to the difference between the purchase price of Zhuang Yuan Ao and the Finance Principal IV (the “**Advanced Hire IV**”) payable on the Actual Delivery Date;
- (ii) a fixed hire of US\$331,250, being an amount equal to the Finance Principal IV minus the Balloon IV in the sum of US\$6,625,000 divided by 20 consecutive quarterly equal instalments (the “**Fixed Hire IV**”); and
- (iii) a variable hire: an amount calculated by multiplying (a) the purchase price of Zhuang Yuan Ao as may be reduced by payment of the Advanced Hire IV, the Fixed Hire IV and the Balloon IV immediately prior to the relevant Hire Payment Date; (b) the aggregate of the margin of 3.75% per annum and the Applicable Rate (as defined in the Bareboat Charter Agreement IV); and (c) a fraction whose denominator is 360 and whose numerator is the number of days elapsed during the relevant Hire Period.

### Conditions Precedent

Completion and the obligation of Owner IV to charter Zhuang Yuan Ao to Charterer IV is conditional upon, among other things:

- (i) the satisfaction of the conditions precedent as set out in the Bareboat Charter Agreement IV;
- (ii) the Company having obtained the requisite Shareholders’ approval in respect of the Memorandum of Agreement IV and the Bareboat Charter Agreement IV and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (iii) Owner IV and Charterer IV having obtained all other necessary consent, licence, approval, authorisation or other document, opinion or assurance in connection with their entry into and performance of the transactions contemplated by any of the Transaction Documents IV or for the validity and enforceability thereof.

## LETTER FROM THE BOARD

### Purchase Option

At any time after and including the 2nd anniversary of the Actual Delivery Date of Zhuang Yuan Ao and before the expiry date of the charter period and with at least 90 days' written notice, Charterer IV has the option to purchase Zhuang Yuan Ao by the payment to Owner IV of the relevant outstanding Finance Principal IV plus other sums due and payable but being unpaid under the Bareboat Charter Agreement IV plus the prepayment fee at the applicable purchase date subject to the conditions set out in the Bareboat Charter Agreement IV.

### Purchase Obligation

Unless Charterer IV has exercised the Purchase Option, Charterer IV shall, upon the expiry date of the charter period, purchase Zhuang Yuan Ao from Owner IV in the amount of US\$100 together with all unpaid sums and break cost (if any) subject to the conditions set out in the Bareboat Charter Agreement IV.

### OTHER DOCUMENTS

In connection with the transactions contemplated under the Memorandum of Agreement IV and the Bareboat Charter Agreement IV, the following documents (collectively, the “**Other Documents IV**”), among others, will be entered into on the Actual Delivery Date, except that the Deed of Accession has been entered into on 5 May 2022:

- (i) a deed of assignment executed by Charterer IV in favour of the Trustee, in relation to certain Charterer IV's rights and interest in and to, among others, the earnings, insurances, requisition compensation and any sub-charter in respect of Zhuang Yuan Ao;
- (ii) a commercial manager's undertaking executed by Fujian Xinyuanxinlanhai Import and Export Trade Co., Ltd. (福建信源新藍海進出口貿易有限公司), a company incorporated under the laws of the PRC, in favour of the Trustee; and
- (iii) the Deed of Accession executed by, among others, Owner IV and Charterer IV.

### GUARANTEE

The Company, as the parent company of Charterer IV, has entered into a guarantee in favour of Owner IV on 7 July 2022 (the “**Guarantee IV**”) in respect of, among others:

- (i) to guarantee the punctual performance by Charterer IV of all of its obligations under the Transaction Documents IV;
- (ii) to undertake to Owner IV that whenever Charterer IV does not pay any amount when due under or in connection with any of the Transaction Documents IV, the Company shall immediately on demand pay that amount as if it were the principal obligor; and

## LETTER FROM THE BOARD

(iii) to agree with Owner IV that if any obligation guaranteed by the Company is or becomes unenforceable, invalid or illegal, the Company will, as an independent and primary obligation, indemnify Owner IV immediately on demand against any cost, loss or liability it incurs as a result of Charterer IV not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any of the Transaction Documents IV on the date when it would have been due. The amount payable by the Company under this indemnity will not exceed the amount it would have had to pay under the Guarantee IV if the amount claimed had been recoverable on the basis of a guarantee.

#### 4. INFORMATION ON THE COMPANY AND THE PARTIES

##### **The Company**

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**

The Vendor is a ship owning company and an indirect wholly-owned subsidiary of the Company.

##### **The Purchaser**

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

##### **The Charterers**

Each of the Charterers are principally engaged in vessel owning and chartering services and are indirect wholly-owned subsidiaries of the Company.

##### **The Owners**

Each of the Owners are indirectly wholly-owned by AVIC International Leasing Co., Ltd (中航國際租賃有限公司) (“**AVIC Leasing**”). AVIC Leasing is principally engaged in, among others, the finance lease business, and is an indirectly non-wholly owned subsidiary of AVIC Industry-Finance Holdings Co., Ltd (中航工業產融控股股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600705).

## LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Owners and their respective ultimate beneficial owners are third parties, and independent of the Company and connected persons of the Company.

### **5. REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE SALE AND LEASEBACK FINANCING ARRANGEMENTS**

#### **(i) 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. Currently, the Group operates a total of 12 vessels for its business operation for generation of revenue and profit, of which 10 are asphalt tankers and two are bulker carriers (including the Vessel).

The Group has two main business segments, including asphalt tanker chartering services (being the Group's core business segment) and bulk carrier chartering services (being the Group's secondary business segment). For the financial year ended 31 December 2021, due to a downturn in the asphalt shipping market under the COVID-19 pandemic, the net profit contributed by the Group's asphalt tanker chartering business segment was lower than usual. Whereas, for the financial year ended 31 December 2021, the proportion of net profit contributed by the Vessel to be disposed of under the bulk carrier chartering services segment increased, resulting in a high Profits Ratio (as defined under Rule 14.07 of the Listing Rules) of the Disposal.

The decrease in net profit of the Group's asphalt tanker chartering business for the financial year ended 31 December 2021 was due to the decrease in revenue and the increase in cost of sales in the same year. The decrease in revenue was mainly attributable to:

- (i) off-hire during dry docking, as two vessels were required to dry-dock for passing the renewal survey every five years and one other vessel was required to dry-dock for passing the intermediate survey every two to three years. Whereas, for the financial year ended 31 December 2020, only two vessels were required to dry-dock for passing the intermediate survey. Typically, vessels are required to carry out renewal survey every five years and intermediate survey every two to three years. More items are required to be repaired in a renewal survey than an intermediate survey, for example, pulling of stern shafts, painting, repairing of side thrust, upgrading of fire safety and lifesaving equipment etc. In general, the dry-docking period is 15 to 20 days for renewal survey and 10 days for intermediate survey. A longer dry-docking period increases the off-hire time of vessels, resulting in an increase in rental loss;
- (ii) the absence of a one-off compensation of approximately US\$1.3 million from the early termination of a charter agreement in respect of a vessel for the year ended 31 December 2020; and

## LETTER FROM THE BOARD

- (iii) due to the COVID-19 pandemic, Shanghai has tightened epidemic prevention and control measures, Lilstella had no choice but to carry out temporary voyage repair in Japan instead of Shanghai, which resulted in off-hire due to delay in shipping schedule.

The increase in cost of sales was mainly due to the combined effect of the following factors:

- (i) bunker costs recorded an increase of approximately US\$2.8 million, as the global bunker indices have shown a moderate uptrend and the average bunker price increased by approximately 40% to 50% in 2021 as compared to 2020; and
- (ii) crew costs recorded an increase of approximately US\$1.4 million, resulting from increased crew salaries, crew changes, quarantine and other pandemic-related manning costs, mainly due to the impact of the COVID-19 pandemic.

In the first half of 2022, the market conditions for the asphalt tanker chartering services segment have improved and the contribution of this segment to the Group's overall net profit (after deducting the fixed expenses of the Company) has increased significantly from 46.8% for the six months ended 30 June 2021 to 74.3% for the six months ended 30 June 2022. As a result, the Profits Ratio contributed by the Vessel, if calculated in the first half of 2022, would decrease compared to that of the financial year ended 31 December 2021. The Disposal is not expected to have a significant impact on the Group's business operations.

In respect of the Group's asphalt tanker chartering services, the Group operates a total of ten asphalt tankers, and its charterers include asphalt traders and oil companies, both of which hire vessels according to their respective market conditions and their own business needs. There is an improvement in the market conditions of the Group's asphalt tanker chartering business segment for the six months ended 30 June 2022. For the six months ended 30 June 2021, five asphalt tankers were operated under time charter contracts, and five asphalt tankers were operated under voyage charter contracts. Whereas, for the six months ended 30 June 2022, the Company entered into a new time charter contract such that a total number of six vessels were operated under time charter contracts, while the number of vessels operated under voyage charter contracts was reduced to four. In addition, the average freight rate under time charter contracts for the six months ended 30 June 2022 has increased by 16.9% compared to the corresponding period in 2021, and the average freight rate under voyage charter contracts has increased significantly by 86.6% during the same period in 2022. In light of the above, the Directors believe that the market conditions of the asphalt tanker chartering services segment for the six months ended 30 June 2022 have improved.

## LETTER FROM THE BOARD

The Directors considered that the Disposal is in the best interests of the Company for the following reasons:

- (i) the core business of the Company is to provide high-quality asphalt tanker chartering services. As the first shipping company with asphalt tanker chartering as its main business and listed in the Stock Exchange, the Company is uniquely competitive through the operation of asphalt tankers. The Directors intend to focus on the development of the asphalt tanker chartering business as part of the Group's long-term strategy. Although there was a decrease in net profit of the Company's asphalt tanker chartering business in 2021 due to the impact of the COVID-19 pandemic, demand in the asphalt market remains stable. In addition, the Company has not built new vessels in recent years, and its main competitor has disposed three old vessels around the age of 15 years which in turn reduced the supply of asphalt tanker chartering services to the market. Therefore, the Directors remain optimistic about the asphalt tanker chartering market in the future;
- (ii) the Disposal is expected to allow the Group to expand its core business. The net proceeds from the Disposal of about US\$14.55 million (being the sale price of the Vessel of US\$20.85 million, less the repayment of the principal and interest of the Vessel of approximately US\$6 million and the commission fee of about US\$300,000 for the sale of the Vessel) would enable the Group to increase its liquidity. In addition to chartering self-operated asphalt tankers, the Group intends to diversify its business model of the asphalt shipping business by leasing asphalt tankers from the market, and chartering them to charterers in order to achieve the revenue of the spot market when market conditions are stable, given that the Directors are of the view that the asphalt market has improved in the first half of 2022. The net proceeds from the Disposal will mainly be used as general working capital of the Group;
- (iii) the old age of the Vessel, which was built in 2006 is a key consideration in its disposal. As the bulk carrier chartering service is the Company's secondary business segment, the Company purchased the Vessel, which was a second-hand bulk carrier, as a transitional arrangement. The longest depreciation period of vessels is 25 years, and the economic service life is about 15 years. Much of the equipment on old vessels are over 20 years old and are outdated, thus maintenance costs are high. Further, certain major charterers have age requirements for the vessels chartered by them which greatly limit the flexibility to operate the Vessel. For example, one of our customers requires that the age of the ship be no more than 15 years. Such age requirement and higher maintenance cost cause difficulties in obtaining higher returns in this business segment. As such, the Disposal would optimise the Company's fleet composition to remain strategically competitive in this market;
- (iv) the Directors believe that the timing of the Disposal carries the greatest benefit to the Group. The Vessel was purchased by the Company when the market prices for bulk carriers was low. The Directors believe that the continuous rise

## LETTER FROM THE BOARD

of market price of bulk carriers would not be sustainable. Thus the Disposal would generate an immediate disposal gain of approximately of US\$5.2 million and would strengthen the Company's financial position and improve its liquidity;

- (v) the Directors believe that the Disposal would allow the Group to avoid uncertainties in the bulk carrier market. Firstly, the time charter contract for the Vessel is due to expire in the end of December 2022. Secondly, the charterer may not renew the time charter after its expiration. Thirdly, the Company may have difficulties in obtaining new time charter contracts for the Vessel. As such, the Disposal allows the Group to avoid the aforementioned risks in the market. Further, the Directors believe that the Group's asphalt tanker chartering business would gradually improve, as reflected in the Company's performance in the first half of 2022. Therefore, the Disposal will enable the Group to focus on expanding the asphalt tanker chartering business;
- (vi) although the profit generated by the Vessel for the six months ended 30 June 2022 was larger than the full year profit in 2021, the net profit before tax contributed by the Vessel to the overall net profit of the Company for the six months ended 30 June 2022 was significantly reduced as compared to the year ended 31 December 2021. For the year ended 31 December 2021, the net profit before tax of the Vessel was approximately US\$1.55 million which contributed to approximately 89.6% of the overall net profit of the Company (after deducting the fixed expenses of the Company) for the same year. For the six months ended 30 June 2022, the unaudited net profit before tax of the Vessel was approximately US\$1.98 million, which contributed approximately 42.0% of the overall unaudited net profit of the Company (after deducting the fixed expenses of the Company) for the same period; and
- (vii) according to the Baltic Dry Index ("BDI"), the dry bulk market is volatile and the market risk is high. In the past two years, the BDI has remained at a high level and the price of bulk carriers have also risen. The Directors believe that the continuous rise of market price of bulk carriers would not be sustainable. Since the Vessel was purchased when the market prices were low, the Disposal would generate an immediate disposal gain of approximately of US\$5.2 million and would strengthen the Company's financial position and improve its liquidity.

In addition, the Directors are of the view that present factors including the ongoing COVID-19 pandemic, the Russia-Ukraine conflict, rise in global oil prices and other uncertainties may continue to affect the operations of the Group in the near future. Therefore, the Disposal would provide more liquidity to the Company and the Group would be in a better financial position to cope with such uncertainties.

## LETTER FROM THE BOARD

In view of the above, the Directors believe that the Disposal will not have any material adverse effect on the operations of the Group and would enable the Group to enhance its working capital position and further strengthen its liquidity, and optimise 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.

### **(ii) The Sale and Leaseback Financing Arrangements**

Since the bank loan agreements of Lilstella and Orcstella and the sale and lease back financing agreements of San Du Ao and Zhuang Yuan Ao have expired on 5 March 2022, 13 May 2022, 12 July 2022 and 12 July 2022, respectively, the Company has the obligations to pay off the balances stipulated in these loan agreements in the sums of US\$3.60 million, US\$3.60 million, US\$4.94 million and US\$5.2 million, respectively. Due to the need for such repayment, the Company entered into the Sale and Leaseback Transactions with AVIC Leasing for the four vessels to pay off the balances, and the remaining funds after repayment will be used as the Group's general working capital for the leased vessels.

The entering into of the Memoranda of Agreement and Bareboat Charter Agreements are sale and leaseback financing arrangements, which the Company considers to be beneficial to the Group as the Group could obtain additional working capital while at the same time maintaining appropriate rights (including the Company's rights to maintain and operate the vessels and the purchase option under the relevant Bareboat Charter Agreement) over Lilstella, Orcstella, San Du Ao and Zhuang Yuan Ao, respectively, which will also strengthen the cash flow of the Group.

The terms of the Memoranda of Agreement and the Bareboat Charter Agreements were arrived at after arm's length negotiations between the parties with reference to the value of Lilstella, Orcstella, San Du Ao and Zhuang Yuan Ao, respectively, and the borrowing cost of the Group. The Directors are therefore of the view that the terms of the Memoranda of Agreement, the Bareboat Charter Agreements and the transactions contemplated thereunder, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **6. POSSIBLE FINANCIAL EFFECTS ON THE GROUP**

Based on the unaudited net book value of the Vessel as at 29 June 2022 as described above, the Group would realise a disposal gain of approximately US\$5.2 million on disposal of the Vessel. The disposal gain for the Vessel was calculated after deducting estimated expenses of approximately US\$0.3 million, which mainly includes commission fees. However, the actual disposal gain which the Group would realise 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.

## LETTER FROM THE BOARD

In accordance with the requirements of Hong Kong Financial Reporting Standards, each of the Sale and Leaseback Transactions shall be accounted for as a financing arrangement and therefore would not give rise to any gain or loss.

Upon completion of the Sale and Leaseback Transactions, it is expected that (i) the total assets of the Group will increase to reflect the cash to be received from the sale proceeds of the Sale and Leaseback Transactions, and (ii) the other loans of the Group will increase to reflect the liability of the Group to pay charter hires under the Bareboat Charter Agreements. The variable hires and other relevant costs will be charged to the income statement of the Group over the charter period.

### **7. USE OF PROCEEDS**

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

### **8. BUSINESS PLAN**

Due to the impact of the COVID-19 pandemic in recent years, several major asphalt shipping companies in the world have not built any new vessels, and some competitors of the Company have even demolished old vessels. Further, as asphalt is a necessary material for infrastructure construction, its market demand will not shrink but is expected to continue growing steadily. In light of the above, the Directors are optimistic about the future of the asphalt shipping market. To improve the profitability of its asphalt shipping business, the Company plans to optimise the fleet composition and strengthen its business operations by implementing the following strategies:

- (i) increasing the number of time-chartered vessels and reduce the number of voyage-chartered vessels in order to minimise the adverse impact caused by the fluctuations of the voyage-chartered shipping market;
- (ii) diversifying the business model of the asphalt shipping business by leasing asphalt tankers from the market, and chartering them to charterers to obtain revenue arising from operating leases, instead of solely operating under an asset-heavy model such as shipbuilding and purchase of vessels;
- (iii) adjusting the proportion of self-operated vessels and leased vessels according to market conditions in order to maximise profits;
- (iv) improving the operating capacity of vessels, reducing the time of vessel off-hire, and increasing the turnover rate of vessels;
- (v) keeping in touch with strong global asphalt traders and oil companies in the market continuously to seek new business opportunities; and
- (vi) improving the maintenance level of vessels, reducing the accident rate of vessels, and ensuring the safe operation of vessels.

## LETTER FROM THE BOARD

The Group has 12 vessels, of which 10 are asphalt tankers and two are bulk carriers. As part of the Company's financial plans, some vessels have been mortgaged or charged to banks, and other vessels are under sale and leaseback financing arrangements. For vessels which are under sale and leaseback financing arrangements, the title of the vessel is temporarily transferred to the finance lease institution during the sale and leaseback period, while the Company has the option to purchase the vessels at an appropriate time pursuant to the relevant Bareboat Charter Agreements. The Company essentially retains ownership and use of the vessels under the sale and leaseback arrangements. Currently, six asphalt tankers and one bulk carrier are under sale and leaseback financing arrangements. Therefore, the titles of these vessels are temporarily transferred to the finance lease institution and will be transferred back to the Company after the end of their respective charter periods. The remaining five vessels are owned by the Company, of which two asphalt tankers have been mortgaged or charged to banks, and two asphalt tankers and one bulk carrier have not been mortgaged or charged or subject to any sale and leaseback arrangement. After the completion of the Disposal and the Sale and Leaseback Transactions, the Group will have 11 vessels, of which eight asphalt tankers and one bulk carrier will be under sale and leaseback financing arrangements, so that the titles of these nine vessels will be temporarily transferred to the finance lease institutions, and their titles will be transferred back to the Company after the end of their respective charter periods.

The Company has no plans to sell the remaining asphalt tankers due to the following reasons:

- (i) the Company operates 10 asphalt tankers, of which eight are four to six years old and two are 10 to 11 years old. As such, the majority of the Company's asphalt tankers are at a relatively young age with good market competitiveness and are recognized by charterers;
- (ii) the Company has obtained stable income from the time charter contracts in relation to two of its asphalt tankers which are 10 to 11 years old;
- (iii) it is expected that the cash flow of the Company will greatly improve and the Company will have sufficient working capital upon completion of the Disposal and the Sale and Leaseback Transactions; and
- (iv) the Directors believe that the asphalt shipping market will improve in the future, and thus intend to focus on developing the asphalt vessel chartering business which is the Company's core business.

After the Disposal, it is expected that the Company's liquidity will improve and the Company will have sufficient operating capital. The time charter contract for the Company's remaining bulk carrier will expire in around 2024 and will continue to bring stable income to the Company in the short term. Therefore, the Company will maintain the operating income of the remaining bulk carrier and has no plan to sell the remaining bulk carrier in the near future.

## **LETTER FROM THE BOARD**

### **9. 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.

Pursuant to Rule 14.22 of the Listing Rules, the Sale and Leaseback Transactions shall be aggregated as if they were one transaction since they were all completed within a 12-month period. As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) on an aggregate basis exceed 25% but all are less than 75%, the entering into of the Memoranda of Agreement and the Bareboat Charter Agreements and the transactions contemplated thereunder constitute a major transaction 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.

### **10. EXTRAORDINARY GENERAL MEETING**

Set out on pages 61 to 63 of this circular is a notice convening the EGM to consider and, if thought fit, to approve the Agreement, the Memorandum of Agreement III, the Bareboat Charter Agreement III, the Memorandum of Agreement IV, the Bareboat Charter Agreement IV and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed herewith. If you are not able to attend and/or vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (before 15 August 2022) or at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (on or after 15 August 2022) as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to procedural or administrative matter to be voted by a show of hands. Accordingly, each of the resolutions put to vote at the EGM will be taken by way of poll.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, there is no Shareholder or any of their respective associates have any material interest in the Disposal and the Sale and Leaseback Transactions, thus no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

## LETTER FROM THE BOARD

### 11. RECOMMENDATION

The Board considers that the terms of the Agreement, the Memorandum of Agreement III, the Bareboat Charter Agreement III, the Memorandum of Agreement IV, the Bareboat Charter Agreement IV and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Agreement, the Memorandum of Agreement III, the Bareboat Charter Agreement III, the Memorandum of Agreement IV, the Bareboat Charter Agreement IV and the transactions contemplated thereunder.

### 12. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By order of the Board  
**XIN YUAN ENTERPRISES GROUP LIMITED**  
**CHEN Ming**  
*Chairman*

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 is disclosed in the following annual reports of the Company which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.xysgroup.com>) respectively:

- annual report of the Company for the year ended 31 December 2021  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042501615.pdf>)
- annual report of the Company for the year ended 31 December 2020  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0420/2021042000457.pdf>)
- annual report of the Company for the year ended 31 December 2019  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042201326.pdf>)

## 2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately US\$82,526,000 which comprised (a) the outstanding balance of approximately US\$6,285,000 under secured bank loans; (b) approximately US\$49,615,000 under secured other loans; and (c) lease liabilities of approximately US\$26,626,000. The secured bank loans and other loans are secured by (a) mortgage/charge over the Group's vessels with a carrying amount of approximately US\$110,717,000 as at 30 June 2022; (b) corporate guarantees provided by the Company and a subsidiary; and (c) restricted bank balances. The secured bank loans are also secured by pledged bank deposits. The secured other loans are also secured by shares of certain subsidiaries. The lease liabilities are secured by (a) charges over the Group's right-of-use assets with a carrying amount of approximately US\$75,725,000 as at 30 June 2022; (b) corporate guarantee provided by the Company and a subsidiary; (c) restricted bank balance; and (d) shares of certain subsidiaries.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, the Group did not have any loan capital or debt securities issued or to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, any other recognised lease liabilities or material lease commitments, or any guarantees or material contingent liabilities as of 30 June 2022.

### 3. WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, after taking into account the financial resources available to the Group (including but not limited to internally generated fund, cash and cash equivalents and other external facilities from banks), and the proceeds from the Disposal and the Sale and Leaseback Transactions, individually and in aggregate, the Group will have sufficient working capital for its present requirements for a period of twelve months from the date of this circular.

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date on which the latest published audited consolidated financial statements of the Group were made up.

### 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group principally provides asphalt tanker chartering services under various types of charter agreements comprising: (i) time charters; and (ii) voyage charters and contracts of affreightment (“CoAs”).

Currently, the Group operates a fleet of twelve vessels with total capacity of approximately 470,000 dwt, of which six vessels are operated under asphalt tanker time charters, four vessels are operated under asphalt tanker voyage charters or CoAs and the remaining two second-hand Capesize vessels are operated under bulk carrier time charters. Those vessels operated under time charters are chartered to customers with high performance capabilities on a long-term basis ranging from one to three years, which generated steady income for the Group.

The Group endeavours to provide high quality asphalt tanker and bulk carrier chartering services. The Group possesses its own team of engineers and is actively involved in the design of its vessels. The Group works closely with ship design experts, customers, shipyards, international classification societies and banks or finance lease companies. Major customers include global shipping and logistics groups, global independent energy traders, and publicly traded energy companies based in the United States. The Group has also diversified its business and services and gradually developed its own customers portfolio. For example, the Group has implemented the following strategies to diversify its business and to develop its own customers portfolio:

- (i) Optimising the use of both self-operated vessels and chartered-in vessels to improve the revenue generated from vessels. On the premise of maintaining the number of the Group’s self-operated vessels, the Group will lease vessels to the market under the following arrangements: (a) under good and stable market conditions, the Group leases vessels in the market in order to expand shipping capacity and to increase market occupancy; and (b) under unstable market conditions, the Group reduces the number of vessels rented in order to reduce transportation capacity and risks.

- (ii) Optimising the combination of time charter and voyage charter leases. Under good and stable market conditions, the Group strives for getting more time charters and higher freight rates for time charters, while increasing the proportion of voyage charter leases to increase revenue. Under unstable market conditions, the Group adjusts the lease arrangements to rent out the vessels for as long as possible, and to reduce the number of self-operated vessels to avoid the effects of spot market fluctuations.
- (iii) Optimising the customer portfolio. High-value charterers are the Group's main marketing target, and the Group strives to continue to keep in touch with strong global asphalt traders and oil companies to seek new business opportunities. In the first half of 2022, the Group has renewed the contracts with two of its long-standing customers, and gained new high value charterers.

Leveraging the Group's experienced management team and competitive strengths, the Directors believe that the Group is well-positioned to further enhance its presence in the asphalt tanker chartering services market and bulk carrier time chartering services. Hence, the Group maintains a variety of services types with a balanced approach to meet different demands in the market.

At the beginning of 2022, due to the Chinese holidays and the Winter Olympics, there has been a downturn in the domestic demand for asphalt in the PRC. At the same time, due to the continuous impact of the COVID-19 pandemic, the tightened pandemic control measures in the PRC and the continuous rainy season in south China, demand for asphalt and the trade volume of asphalt in the PRC remained low. As a result, the asphalt shipping market was weakened. In terms of the supply of asphalt, with the increase in crude oil prices in the first half of 2022, the profit from asphalt trading was low. The refineries in South Korea and Singapore have reduced production of asphalt accordingly. However, in general, the freight rate of asphalt increased in the first half of 2022 and the overall asphalt market conditions have improved compared with the year of 2021.

According to the Work Report of the 13th National People's Congress, a strategy is adopted to expand domestic demand and to accelerate the transformation of the economic growth model, notably, by developing infrastructure investment, major transportation and water conservancy projects and to increase the national railway development capital, which may result in growing asphalt demand. At the same time, the 14th Five Year Plan has set a new goal for decarbonisation before 2030 and carbon neutrality by 2060. It is expected that further regulations and reduction on production capacity may be imposed on domestic refineries. In the long run, it is expected that the domestic asphalt supply will shrink and the demand for imported asphalt is expected to increase. The reduction in the supply of asphalt from PRC domestic refineries, coupled with the PRC's vigorous development of infrastructure investment and construction, and the continuous growth in the demand for domestic road maintenance, has driven the growth in the demand for imported asphalt. The Directors believe that this will promote the PRC's import of asphalt from Singapore and South Korea, which is expected to have a positive impact on the asphalt shipping market.

Given the difficulties stemming from the global effort to contain COVID-19 pandemic, and in spite of the vaccine rollout continuing to accelerate in many countries, global human coexistence with COVID-19 will be inevitable, and many have found ways to return to a semblance of normal life. The impact of COVID-19 pandemic on the global and domestic economy is expected to lessen gradually and the operating costs of vessels due to epidemic prevention measures may decrease accordingly.

One of the main reasons for strong freight rates of the dry bulk market in 2021 was the inefficient supply of shipping capacity to customers, due to ships being confined longer at ports due to COVID-19 restrictions and disruptions. Looking forward at 2022, the dry bulk market is expected to increase, driven by the low supply of shipping capacity, rising fuel prices and strong demand for most dry bulk commodities, while freight rates may face correction when vaccines reduce pandemic impact. With the end of the rainy season, iron ore exports from Brazil is expected to improve, in light of the prices of dry bulk commodities remaining high. Also, bauxite production from Guinea is expected to continue expanding. Although coal demand is greatly affected by PRC's policies to ban coal imports from Australia and the weather, there is increasing likelihood for growth of PRC domestic production and imports in response to the shortages. The limited orderbook continues to lower fleet growth in the short term, thus the overall expected demand growth may exceed capacity growth.

Nowadays, the Group is facing many challenges and uncertainties, including the effects of global economic situation, geopolitical and trade risks, and the ever-evolving global health landscape. The conflict between Russia and Ukraine has also brought uncertainty to the markets. Nonetheless, the Group remains optimistic about its business prospects.

## **6. MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Remaining Group has no significant investments and save as the Disposal set out in this circular, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group up to and including the Latest Practicable Date.

## **7. CONTINGENT LIABILITIES**

As at 31 December 2021, our Remaining Group did not have any significant contingent liabilities.

## **8. FOREIGN CURRENCY RISKS**

Our Group has a certain exposure to foreign currency risk as some of our business transactions, assets and liabilities are denominated in currencies other than the functional currency of the respective Group entities such as Singapore dollars (“SGD”) and Renminbi. Our Group has also adopted a foreign exchange rate and interest rate risk control policy to manage the foreign exchange risk and interest rate risk. Our Group monitors the foreign currency exposure closely and will consider hedging transactions to mitigate significant foreign currency exposure should the need arise. Our Group has foreign currency forward contracts to hedge the foreign currency risk in respect of borrowings denominated in SGD.

**9. GEARING RATIO**

The gearing ratio (represented by the total debts divided by the total equity attributable to owners of our Company) of our Group was 0.60 as at 31 December 2021 before the Disposal. Based on the proforma financial information of the Remaining Group, such gearing ratio will be reduced to 0.52 as at 31 December 2021 as a result of the Disposal.

## UNAUDITED PROFIT AND LOSS STATEMENT OF THE VESSEL

In accordance with paragraphs 14.68(2)(b)(i) of the Listing Rules, the unaudited profit and loss statement on the identifiable net income stream of the Vessel for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022 (the “**Unaudited Profit and Loss Statement of the Vessel**”) are set out below. In the opinion of the Directors, such information has been properly compiled and derived from the underlying books and records of the Vendor. The Company has engaged RSM Hong Kong to conduct certain factual finding procedures on the compilation of such information in accordance with the Hong Kong Standard on Related Services (Revised) 4400, “Agreed-Upon Procedures Engagements” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has agreed the Unaudited Profit and Loss Statement of the Vessel to the underlying books and records of the Vendor in accordance with the agreed-upon procedures set out in the relevant engagement letter between the Company and the auditor and reported its factual findings based on the agreed-upon procedures to the Directors. The reported factual findings should not be used or relied upon by any other parties for any purposes.

	Six months ended		Year ended 31 December		
	30 June		2021	2020	2019
	2022	2021	2021	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	4,241	2,717	5,134	5,232	362
Cost of sales	<u>(2,103)</u>	<u>(1,592)</u>	<u>(3,215)</u>	<u>(3,539)</u>	<u>(283)</u>
Gross profit	2,138	1,125	1,919	1,693	79
Other income	47	—	—	50	—
Administrative expenses	(64)	(68)	(79)	(107)	(7)
Exchange losses, net	<u>—</u>	<u>(2)</u>	<u>(1)</u>	<u>—</u>	<u>—</u>
Profit from operations	2,121	1,055	1,839	1,636	72
Finance costs	<u>(137)</u>	<u>(151)</u>	<u>(288)</u>	<u>(464)</u>	<u>(55)</u>
Profit before tax	1,984	904	1,551	1,172	17
Income tax expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit for the period/year	<u><u>1,984</u></u>	<u><u>904</u></u>	<u><u>1,551</u></u>	<u><u>1,172</u></u>	<u><u>17</u></u>

The following is the text of a valuation certificate prepared for the purpose of incorporation in this circular received from VesselsValue Ltd, an independent valuer, in connection with its valuation of the Vessel as at 26 June 2022.



## MARKET VALUATION CERTIFICATE

### XYG Fortune

<b>Issue Date</b>	02 Aug 2022	<b>Category</b>	Single Vessel
<b>Issued To</b>	Xin Yuan Enterprises Group Limited	<b>Valuation Date</b>	26 Jun 2022

All valuations in this certificate are in US Dollars (USD) subject to the Disclaimer attached.

### Market Value

**\$21.08m**

### Vessel Details

<b>Vessel Name</b>	XYG Fortune	<b>DWT</b>	177,000 MT
<b>Ex Name</b>	Shinyo Diligence (Sep 2017), North Trader (Feb 2017), Monegasque Eclat (May 2016), Spring Hydrangea (Jul 2006), 255 Hull (Jan 2004)	<b>LDT</b>	21,711 MT sister
		<b>Built</b>	03 Jul 2006 Namura  Japan
		<b>LOA/Beam/Draft</b>	289.0m/45.0m/18.0m
		<b>Main Engine</b>	MAN B&W 6S70MC6 16,860 kW @ 91 RPM Low Speed Diesel
<b>Type</b>	CAPE SIZE BC	<b>Geared</b>	No
<b>Class</b>	LRS	<b>Helideck</b>	No
<b>IMO</b>	9330290		
<b>Flag</b>	Liberia		
<b>Status</b>	Live		

### Previous 10 Sales in Sector

SALE DATE	PRICE	SOLD NAME	TYPE	SIZE	BUILT	YARD
23 Jun 2022	\$32.75m	Mineral Haiku	CAPE SIZE BC	180,200 DWT	2010	Koyo Dock
13 Jun 2022	\$22.00m	Baltimore	CAPE SIZE BC	177,200 DWT	2005	Namura
10 Jun 2022	\$44.00m	HL Pride	CAPE SIZE BC	179,700 DWT	2016	Dalian Shipbuilding Industry Corp
08 Jun 2022	\$54.00m	Hans Oldendorff	CAPE SIZE (Newcastlemax)	209,200 DWT	2017	Taizhou Catic
06 Jun 2022	\$27.50m	Rosebank	CAPE SIZE BC	177,000 DWT	2010	New Times Shipbuilding
26 May 2022	\$31.75m	Stella Flora	CAPE SIZE BC	176,300 DWT	2012	Shanghai Waigaoqiao Shipbuilding
24 May 2022	\$20.50m	Mount Nevis	CAPE SIZE BC	177,000 DWT	2005	Namura
20 May 2022	\$13.80m	Formosabulk Clement	CAPE SIZE BC	170,100 DWT	2001	IHI
20 May 2022	\$32.60m	Aquadiva	CAPE SIZE BC	182,100 DWT	2010	Odense Steel
11 May 2022	\$50.75m	Mineral Yarden	CAPE SIZE BC	181,200 DWT	2016	Imabari

**Glossary**

<b>Age</b>	Age of a vessel at the time of sale.
<b>Built</b>	Year in which the vessel was delivered from its shipyard.
<b>Category</b>	Indicates whether the valuation is for a single vessel or portfolio of vessels.
<b>Certificate Number</b>	Unique identification code for each valuation certificate.
<b>e (estimation)</b>	In instances where data is not known data is estimated by Vessels Value and the “e” symbol is shown. Estimates are based on comparable vessels, or when none available, are based on industry standard or VV devised methodologies.
<b>Features</b>	A property of a vessel that has been given a score eg builder.
<b>Historical Values</b>	Market values of the vessel or portfolio prior the Issue Date. These are expressed for the first day of each month displayed.
<b>Monthly Values</b>	Are as at 1st of the month.
<b>Name</b>	Current name of vessel or portfolio.
<b>Previous 10 Sales in Sector</b>	The previous 10 (ten) sales prior to the valuation date (in the same sector as the valued vessel).
<b>Price</b>	Approximate price, in US Dollars (USD), at which a vessel was sold.
<b>Sale Date</b>	Approximate date on which a vessel was sold.
<b>Size</b>	Cargo carrying capacity of the vessel in units appropriate to the Type (e.g. DWT, TEU, CBM, CUFT, etc.).
<b>IMO</b>	International Maritime Organisation vessel identification number.
<b>Issue Date</b>	Date of creation of the valuation certificate.
<b>Issued To</b>	The individual and organisation the certificate is issued to.
<b>Market Value</b>	An estimate of fair market price, in US Dollars (USD), as at the valuation date only and is based on the price VesselsValue estimates as its opinion in good faith that the vessel would obtain in a hypothetical transaction between a willing buyer and a willing seller on the basis of prompt charter free delivery at an acceptable worldwide delivery port, for cash payment on standard sale terms. Please see disclaimer below for more information.

<b>Sold Name</b>	Name under which a vessel was sold.
<b>Status:</b>	
Cancelled	Newbuilding terminated prior to launch
Dead	Scrapped or lost
Launched	Newbuilding on the water but not yet delivered
Live	Existing vessel trading or laid up
Newbuild	On order or under construction
<b>Type</b>	Type of vessel (e.g. VLCC, Capesize, etc.)
<b>Valuation Date</b>	Date for which valuation of the vessel or portfolio applies. This can be the same date as the Issue Date (in the case of a current valuation) or it can be prior to the Issue Date (in the case of a historical valuation).
<b>Yard</b>	Shipyard in which the vessel was built.

### Algorithms

The model is calibrated using confirmed sales prior to the date of valuation. Sales in circumstances which make them unreflective of fair market value (e.g. with charter) are excluded. Calibration is performed by computational algorithms which automatically adjust the parameters of the mathematical functions to best fit the sales data using multiple, nonlinear, constrained and weighted regression analysis. The software is run daily to ensure valuations reflect the latest sales and earnings information.

### Methodology

The vessel's market value is estimated using five factors; Type, Features, Age and Cargo Capacity, and Freight Earnings.

#### *Type*

Each vessel type is modelled independently.

#### *Features*

Relative scores are assigned to all features recorded in the vessel database.

*Age and Cargo Capacity*

The nonlinear dependences of value on age and cargo capacity are modelled using mathematical functions with adjustable parameters which allow them to assume a variety of shapes. Constraints are imposed on these parameters by application of economic principles and broking expertise.

*Freight Earnings*

Time charters, spot freight rates and forward freight agreements are used to create indicators of freight market sentiment for each vessel type. Signal processing techniques are applied to these indicators to maximise their correlation with vessel values.

**Disclaimer**

In accordance with your request and subject to our Terms and Conditions (set forth at [www.vesselsvalue.com/terms](http://www.vesselsvalue.com/terms)), we have made an assessment of the vessels by applying the Methodology described in the certificate. Any changes or corrections or altering of the methodology could result in different valuations for the same vessel on the same valuation date but on different issue dates.

The Market Value provided is an estimate of fair market price, in US Dollars (USD) and is based on the price that the vessel would obtain in a hypothetical transaction between a willing buyer and a willing seller on the basis of prompt, charter free delivery at an acceptable worldwide delivery port, for cash payment under normal commercial terms. For the purposes of that opinion it is assumed that the vessel is in good, sound and seaworthy condition, free of maritime liens and all debts whatsoever, fully classed to the requirements of her present classification society, free of class recommendations, with clean and valid trading certificates, and where relevant to type and age of vessel with full oil majors, Rightship and any other relevant approvals in place.

VesselsValue Ltd has neither made a physical inspection of the vessel(s) nor inspected her class records. All statements made in these valuations are derived from technical and other relevant information available to VesselsValue Ltd at the date of the valuation and based on these assumptions. Any person contemplating entering a transaction of any nature whatsoever or otherwise having regard to these valuations should satisfy himself by inspection of the vessels and their records, or other independent means as to the correctness of statements made in these valuations.

The estimated Market Value and Demolition Value are for the valuation date only and no assurance is given that the value will be sustained or is realisable in any actual transaction.

The vessels have been valued individually. If two or more vessels were to have been placed on the market at the same time, no assurance is given that the amount realisable would have been equal to the total of the individual values.

If the Market Value is lower than the Demolition Value the latter is displayed and denoted by a 'd'. The Demolition Value provided is an estimate of fair demolition market price in US Dollars (USD). It is calculated by multiplying the lightweight in long tons by the current demolition price, assuming delivery to a vessel breaking yard in the Indian subcontinent as at the valuation date only, based on a hypothetical transaction between a willing seller and a willing demolition cash buyer on standard demolition sale terms, with delivery at the vessel breaking anchorage, and that the vessel is in good, sound and seaworthy condition with all machinery and items onboard and in working condition, free of maritime liens and all debts whatsoever and in the case of tankers in a gas free for man entry only condition.

No person other than the named addressee of this valuation shall have any rights whatsoever against VesselsValue Ltd as arising out of or relating to this valuation under the Contract (Rights of Third Parties) Act 1999 or otherwise.



**Analyst, VesselsValue**

**VesselsValue Ltd**  
Company No. 7316511

Market Valuation Certificate 70201, 02 Aug 2022

**A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

The accompanying unaudited pro forma consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and net assets statement of the Remaining Group have been prepared to illustrate the effect of the Disposal might have affected the financial information of the Group.

The unaudited pro forma consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2021 are prepared based on the audited consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021 as extracted from the annual report of the Company for the year ended 31 December 2021 as if the Disposal had been completed on 1 January 2021.

The unaudited pro forma consolidated net assets statement of the Remaining Group as at 31 December 2021 is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2021 as extracted from the annual report of the Company for the year ended 31 December 2021 as if the Disposal had been completed on 31 December 2021.

The unaudited pro forma financial information of the Remaining Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Remaining Group, it may not give a true picture of the actual financial position and results of operation of the Remaining Group that would have been attained had the Disposal actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Remaining Group's future financial position and results of operation.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix I and other financial information included elsewhere in this circular.

**B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR  
LOSS OF THE REMAINING GROUP**

	<b>The Group</b> <i>US\$'000</i>	<b>Pro forma adjustments</b>		<b>Remaining Group</b> <i>US\$'000</i>
		<i>Note 1</i> <i>US\$'000</i>	<i>Note 2</i> <i>US\$'000</i>	
Revenue	52,331	(5,134)		47,197
Cost of sales	<u>(44,022)</u>	3,215		<u>(40,807)</u>
Gross profit	8,309			6,390
Other income	1,299		4,685	5,984
Administrative expenses	(3,664)	79		(3,585)
Other operating expenses	(1,034)			(1,034)
Exchange gains, net	<u>417</u>	1		<u>418</u>
Profit from operations	5,327			8,173
Finance costs	<u>(3,596)</u>	288		<u>(3,308)</u>
Profit before tax	1,731			4,865
Income tax expense	<u>(10)</u>			<u>(10)</u>
Profit for the year	<u><u>1,721</u></u>			<u><u>4,855</u></u>

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR  
LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

	<b>The Group</b> <i>US\$'000</i>	<b>Pro forma adjustments</b>		<b>Remaining Group</b> <i>US\$'000</i>
		<i>Note 1</i> <i>US\$'000</i>	<i>Note 2</i> <i>US\$'000</i>	
Profit for the year	<u>1,721</u>	(1,551)	4,685	<u>4,855</u>
Other comprehensive income:				
Item that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations	<u>2</u>			<u>2</u>
Other comprehensive income for the year, net of tax	<u>2</u>			<u>2</u>
Total comprehensive income for the year	<u><u>1,723</u></u>			<u><u>4,857</u></u>

D. UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT OF  
THE REMAINING GROUP

	<b>The Group</b>	<b>Pro forma adjustments</b>		<b>Remaining</b>
	<i>US\$'000</i>	<i>Note 3</i>	<i>Note 4</i>	<b>Group</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	113,455	(16,013)		97,442
Right-of-use assets	<u>77,872</u>			<u>77,872</u>
	<u>191,327</u>			<u>175,314</u>
<b>Current assets</b>				
Inventories	2,165	(105)		2,060
Trade receivables	1,299			1,299
Other receivables, deposits, and prepayments	463			463
Pledged bank deposits	1,399			1,399
Bank and cash balances	<u>3,846</u>	20,655	(6,510)	<u>17,991</u>
	<u>9,172</u>			<u>23,212</u>

	<b>The Group</b> <i>US\$'000</i>	<b>Pro forma adjustments</b>		<b>Remaining Group</b> <i>US\$'000</i>
		<i>Note 3</i> <i>US\$'000</i>	<i>Note 4</i> <i>US\$'000</i>	
<b>Current liabilities</b>				
Derivative financial instruments	160			160
Contract liabilities	257			257
Borrowings	17,058		(1,420)	15,638
Lease liabilities	17,121			17,121
Trade payables	5,898			5,898
Other payables and accruals	<u>1,023</u>			<u>1,023</u>
	<u>41,517</u>			<u>40,097</u>
Total assets less current liabilities	<u>158,982</u>			<u>158,429</u>
<b>Non-current liabilities</b>				
Borrowings	23,620		(5,090)	18,530
Lease liabilities	<u>14,332</u>			<u>14,332</u>
	<u>37,952</u>			<u>32,862</u>
<b>Net assets</b>	<u><u>121,030</u></u>			<u><u>125,567</u></u>

**E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE REMAINING GROUP**

- (1) The adjustment represents the exclusion of income and expenses attributable to the Vessel for the year ended 31 December 2021 as if the Disposal had been completed on 1 January 2021.
- (2) The adjustment represents the gain on disposal of the Vessel of approximately US\$4,685,000 being the difference of the consideration of Disposal of approximately US\$20,850,000 and the net book value of the Vessel as at 1 January 2021 of approximately US\$15,865,000 and the estimated expenses of approximately US\$300,000 which mainly includes commission fees, as if the Disposal had been completed on 1 January 2021.
- (3) The adjustment represents the exclusion of the carrying amount of the Vessel of approximately US\$16,013,000 and inventories (mainly lubricating oil) of approximately US\$105,000 upon Disposal and the net cash of approximately US\$20,655,000 received from the Disposal being the sale proceeds of approximately US\$20,850,000 and cost of lubricating oil of approximately US\$105,000 paid by the Purchaser less estimated expenses of approximately US\$300,000, which mainly includes commission fees, as if the Disposal had been completed on 31 December 2021.
- (4) The adjustment represents the settlement of other loan which was secured by the pledge of the Vessel.

**F. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

RSM Hong Kong  
Certified Public Accountants  
29th Floor  
Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

8 August 2022

The Board of Directors  
**Xin Yuan Enterprises Group Limited**

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Xin Yuan Enterprises Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net assets statement as at 31 December 2021, the pro forma consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 and related notes as set out on pages 45 to 50 of the circular issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on page 45 to 50.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed disposal of the vessel on the Group’s financial position as at 31 December 2021 as if the transaction had been taken place at 31 December 2021, and on the Group’s financial performance for the year ended 31 December 2021 as if the transaction had been taken place at 1 January 2021. As part of this process, information about the Group’s financial position and financial performance has been extracted by the Directors from the Group’s consolidated financial statements as included in the annual report for the year ended 31 December 2021, on which the audit report has been published.

**Directors' Responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2021 and 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

**RSM Hong Kong**  
*Certified Public Accountants*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Interests of Directors and chief executives of the Company

As at the Latest Practicable date, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which will be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules, are set out as follows:

Name of Director	Nature of Interest	Number of Shares held <sup>(1)</sup>	Approximate percentage of shareholding in the Company
Mr. Xu Wenjun <sup>(2)</sup>	Interest in a controlled corporation	34,079,000 Shares (L)	7.75%
Mr. Ding Yuzhao <sup>(3)</sup>	Interest in a controlled corporation	14,898,000 Shares (L)	3.39%
Mr. Lin Shifeng <sup>(4)</sup>	Interest in a controlled corporation	17,478,000 Shares (L)	3.97%

*Notes:*

As at the Latest Practicable Date:

- (1) The letter “L” denotes the Directors’ long position in the Shares.
- (2) Perfect Bliss Limited is owned as to 100% by Mr. Xu Wenjun, an executive Director. By virtue of the SFO, Mr. Xu Wenjun is deemed to be interested in the 34,079,000 Shares held by Perfect Bliss Limited.

- (3) Gigantic Path Limited is owned as to 100% by Mr. Ding Yuzhao, an executive Director. By virtue of the SFO, Mr. Ding Yuzhao is deemed to be interested in the 14,898,000 Shares held by Gigantic Path Limited.
- (4) Profit Source HK Trading Limited is owned as to 100% by Mr. Lin Shifeng, an executive Director. By virtue of the SFO, Mr. Lin Shifeng is deemed to be interested in the 17,478,000 Shares held by Profit Source HK Trading Limited.

### Interests of substantial Shareholders

As at the Latest Practicable Date, so far as the Directors or the Chief Executive of the Company were aware or could ascertain after reasonable enquiry, the following persons, not being a Director or the Chief Executive of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital:

Shareholders	Capacity/ Nature of Interest	Number of Shares held <sup>(1)</sup>	Approximate percentage of shareholding in the Company
UNIVERSAL INTERNATIONAL TECHNOLOGY (HONG KONG) LIMITED <sup>(2)</sup>	Beneficial owner	116,000,000 Shares (L)	26.36%
PROSPEROUS BRIGHT LIMITED <sup>(2)</sup>	Interest of controlled corporation	116,000,000 Shares (L)	26.36%
Mr. Chen Maochun <sup>(2)</sup>	Interest of controlled corporation	116,000,000 Shares (L)	26.36%
Ms. Ni Hualing <sup>(2)</sup>	Interest of spouse	116,000,000 Shares (L)	26.36%
Well Grace Trading Co., Limited <sup>(3)</sup>	Beneficial owner	49,000,000 Shares (L)	11.14%
Mr. Lin Kaiquan <sup>(3)</sup>	Interest of controlled corporation	49,000,000 Shares (L)	11.14%
Ms. Yang Lihua <sup>(3)</sup>	Interest of spouse	49,000,000 Shares (L)	11.14%

Shareholders	Capacity/ Nature of Interest	Number of Shares held <sup>(1)</sup>	Approximate percentage of shareholding in the Company
HJ Technology Co., Limited <sup>(4)</sup>	Beneficial owner	36,000,000 Shares (L)	8.18%
Mr. Wu Kai <sup>(4)</sup>	Interest of controlled corporation	36,000,000 Shares (L)	8.18%
Ms. Pang Min <sup>(4)</sup>	Interest of spouse	36,000,000 Shares (L)	8.18%
Perfect Bliss Limited <sup>(5)</sup>	Beneficial owner	34,079,000 Shares (L)	7.75%
Ms. Zhu Zhen <sup>(5)</sup>	Interest of spouse	34,079,000 Shares (L)	7.75%
Golden Boomer Limited <sup>(6)</sup>	Beneficial owner	30,000,000 Shares (L)	6.82%
Ms. Lan Shaoyun <sup>(6)</sup>	Interest of controlled corporation	30,000,000 Shares (L)	6.82%
Mr. Hong Jianbin <sup>(6)</sup>	Interest of spouse	30,000,000 Shares (L)	6.82%
Industrial Bank Co., Ltd <sup>(6)</sup>	Person having a security interest in shares	30,000,000 Shares (L)	6.82%
Forever Win Asia Trading Limited <sup>(7)</sup>	Beneficial owner	24,540,000 Shares (L)	5.58%
Mr. Chen Chengmei <sup>(6)</sup>	Interest of controlled corporation	24,540,000 Shares (L)	5.58%

Notes:

As at the Latest Practicable Date:

- (1) The letter “L” denotes the Directors’ long position in the Shares.
- (2) UNIVERSAL INTERNATIONAL TECHNOLOGY (HONG KONG) LIMITED is owned as to 100% by PROSPEROUS BRIGHT LIMITED, which is in turn wholly owned by Mr. Chen Maochun. As such, each of PROSPEROUS BRIGHT LIMITED and Mr. Chen Maochun is

deemed to be interested in the 116,000,000 Shares held by UNIVERSAL INTERNATIONAL TECHNOLOGY (HONG KONG) LIMITED pursuant to the SFO. Ms. Ni Hualing is the spouse of Mr. Chen Maochun.

- (3) Well Grace Trading Co., Limited is owned as to 100% by Mr. Lin Kaiquan. By virtue of the SFO, Mr. Lin Kaiquan is deemed to be interested in the 49,000,000 Shares held by Well Grace Trading Co., Limited. Ms. Yang Lihua is the spouse of Mr. Lin Kaiquan.
- (4) HJ Technology Co., Limited is owned as to 100% by Mr. Wu Kai. By virtue of the SFO, Mr. Wu Kai is deemed to be interested in the 36,000,000 Shares held by HJ Technology Co., Limited. Ms. Pang Min is the spouse of Mr. Wu Kai.
- (5) Perfect Bliss Limited is owned as to 100% by Mr. Xu Wenjun. By virtue of the SFO, Mr. Xu Wenjun is deemed to be interested in the 34,079,000 Shares held by Perfect Bliss Limited. Ms. Zhu Zhen is the spouse of Mr. Xu Wenjun.
- (6) Golden Boomer Limited is owned as to 100% by Ms. Lan Shaoyun. By virtue of the SFO, Ms. Lan Shaoyun is deemed to be interested in the 30,000,000 Shares held by Golden Boomer Limited. Mr. Hong Jianbin is the spouse of Ms. Lan Shaoyun. Golden Boomer Limited provided an interest in the 30,000,000 Shares as security to Industrial Bank Co., Ltd, a person other than a qualified lender.
- (7) Forever Win Asia Trading Limited is owned as to 100% by Mr. Chen Chengmei. By virtue of the SFO, Mr. Chen Chengmei is deemed to be interested in the 24,540,000 Shares held by Forever Win Asia Trading Limited.

Save as disclosed in this circular and so far as the Directors or the Chief Executive of the Company were aware, as at the Latest Practicable Date, there were no other persons who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any option in respect of such capital.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors entered, or proposed to enter, into any service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

### **4. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the Group's business which would be required to be disclosed under Rule 8.10 of the Listing Rules.

## 5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any members of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

## 6. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 7. EXPERT AND CONSENT

The following are the qualifications of the experts who have given an opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
RSM Hong Kong	Certified Public Accountants
VesselsValue Ltd	Independent Valuer

As at the Latest Practicable Date, each of RSM Hong Kong and VesselsValue Ltd:

- (a) did not have any shareholding, direct or indirect, in any member of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any members of the Group since 31 December 2021, being the date up to which the latest published audited financial statements of the Group were made; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they are included.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and ending on the Latest Practicable Date, and are or may be material:

- (1) the master service agreement dated 28 October 2020 made between Shun Yuen Group (Hong Kong) Limited (信源集團(香港)有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company as the service provider and Bilesea International Pte. Ltd., an exempt private company limited by shares incorporated in Singapore as the purchaser for the provision of asphalt tanker chartering services with a term of three years ending 31 December 2023;
- (2) the memorandum of agreement dated 2 March 2021 entered between Phoenix Shipping (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company (“**Phoenix Shipping**”) as the seller and Good Trend Shipping Limited, a company incorporated with limited liability and existing under the laws of Hong Kong (“**Good Trend Shipping**”) as the purchaser in relation to the sale and purchase of the vessel Amber Bay with IMO No. 9764520 (“**Amber Bay**”);
- (3) the bareboat charter agreement dated 2 March 2021 entered between Phoenix Shipping as the charterer and Good Trend Shipping as the owner in relation to the bareboat chartering of Amber Bay;
- (4) the memorandum of agreement dated 4 March 2022 entered between Z&L Dolphin Shipping Limited (海豚船務有限公司), a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company (“**Z&L Dolphin Shipping**”) as the seller and Fore Marine Pte. Ltd., a company incorporated under the laws of Singapore (“**Fore Marine**”) as the buyer in relation to the sale and purchase of the vessel XYMG NOBLE with IMO No. 9314674 (“**XYMG NOBLE**”);
- (5) the bareboat charter agreement dated 4 March 2022 entered between Z&L Dolphin Shipping as the charterer and Fore Marine as the owner in relation to the bareboat chartering of XYMG NOBLE;
- (6) the Agreement; and
- (7) the Memoranda of Agreement and the Bareboat Charter Agreements.

## 9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Yim Lok Kwan, an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom (formerly known as the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators).

- (b) The registered office of the Company is situated at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. The principal place of business of the Company in Hong Kong is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (c) The Cayman Islands principal share registrar and transfer agent of the Company is Ocorian Trust (Cayman) Limited at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (d) The Hong Kong share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.

#### 10. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.xysgroup.com>) from the date of this circular up to 14 days thereafter:

- (a) the Agreement;
- (b) the Memorandum of Agreement III and the Bareboat Charter Agreement III;
- (c) the Memorandum of Agreement IV and the Bareboat Charter Agreement IV;
- (d) the valuation certificate prepared by VesselsValue Ltd in relation to the Vessel as set out in Appendix III to this circular;
- (e) the report from RSM Hong Kong on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular;
- (f) the letter of consent from each of RSM Hong Kong and VesselsValue Ltd referred to in paragraph 7 of this appendix; and
- (g) this circular.

**NOTICE OF EXTRAORDINARY GENERAL MEETING**



**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)**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**EGM**”) of XIN YUAN ENTERPRISES GROUP LIMITED (the “**Company**”) will be held at Units 5906–5912, 59/F, The Center, 99 Queen’s Road Central, Hong Kong on Monday, 22 August 2022 at 10:00 a.m., to transact the following businesses:

**ORDINARY RESOLUTIONS**

1. “**THAT:**

- (a) the memorandum of agreement (the “**Agreement**”, a copy of which marked “A” has been tabled to the EGM and signed by the chairman of the EGM for the purpose of identification) dated 29 June 2022 entered into between (i) 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 vendor (the “**Vendor**”); and (ii) Franbo Lines Corp, a company whose shares are listed on the Taipei Exchange (stock code: 2641) or its guaranteed nominees as purchaser (the “**Purchaser**”), in relation to the proposed disposal by the Vendor of the vessel XYG Fortune with IMO No. 9330290 to the Purchaser and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to do all acts, deeds and things and to sign and execute all documents as he may, at his absolute discretion, deem incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Agreement.”

2. “**THAT:**

- (a) the memorandum of agreement (the “**Memorandum of Agreement III**”, a copy of which marked “B” has been tabled to the EGM and signed by the chairman of the EGM for the purpose of identification) dated 7 July 2022 entered into between (i) Xin Yuan Ocean Shipping (HK) Group Limited (信源遠洋運輸(香港)集團有限公司), a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company as seller (“**Xin Yuan Ocean Shipping**”); and (ii) Bright Sandu Shipping Ltd, a company incorporated under the laws of the Republic of Marshall Islands as purchaser (the “**Bright Sandu Shipping**”), in relation to the proposed sale by Xin Yuan Ocean Shipping of the vessel San Du Ao with IMO No. 9608752 (“**San Du Ao**”) to Bright Sandu Shipping and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

## NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the bareboat charter agreement (the “**Bareboat Charter Agreement III**”, a copy of which marked “C” has been tabled to the EGM and signed by the chairman of the EGM for the purpose of identification) dated 7 July 2022 entered into between (i) Xin Yuan Ocean Shipping as charterer; and (ii) Bright Sandu Shipping as owner, in relation to the proposed bareboat chartering of San Du Ao from Bright Sandu Shipping to Xin Yuan Ocean Shipping and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the memorandum of agreement (the “**Memorandum of Agreement IV**”, a copy of which marked “D” has been tabled to the EGM and signed by the chairman of the EGM for the purpose of identification) dated 7 July 2022 entered into between (i) Xin De Yuan (Hong Kong) Shipping Limited (信德源(香港)船務有限公司), a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company as seller (“**Xin De Yuan (Hong Kong) Shipping**”); and (ii) Bright Zhuangyuan Shipping Ltd, a company incorporated under the laws of the Republic of Marshall Islands as purchaser (the “**Bright Zhuangyuan Shipping**”), in relation to the proposed sale by Xin De Yuan (Hong Kong) Shipping of the vessel Zhuang Yuan Ao with IMO No. 9650339 (“**Zhuang Yuan Ao**”) to Bright Zhuangyuan Shipping and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (d) the bareboat charter agreement (the “**Bareboat Charter Agreement IV**”, a copy of which marked “E” has been tabled to the EGM and signed by the chairman of the EGM for the purpose of identification) dated 7 July 2022 entered into between (i) Xin De Yuan (Hong Kong) Shipping as charterer; and (ii) Bright Zhuangyuan Shipping as owner, in relation to the proposed bareboat chartering of Zhuang Yuan Ao from Bright Zhuangyuan Shipping to Xin De Yuan (Hong Kong) Shipping and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (e) any director of the Company be and is hereby authorised to do all acts, deeds and things and to sign and execute all documents as he may, at his absolute discretion, deem incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Memorandum of Agreement III, the Bareboat Charter Agreement III, the Memorandum of Agreement IV and the Bareboat Charter Agreement IV.”

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

Hong Kong, 8 August 2022

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Notes:*

1. In order to qualify for the right to attend and vote at the above meeting, all transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (before 15 August 2022) or at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (on or after 15 August 2022) for registration not later than 4:30 p.m. on Tuesday, 16 August 2022.
2. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
4. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorised, and must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (before 15 August 2022) or at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (on or after 15 August 2022) (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM.
5. To safeguard the health and safety of the Shareholders, the Company will implement the following precautionary measures at the EGM to prevent the spreading of the COVID-19:
  - (i) Compulsory body temperature checks will be conducted for every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue and be requested to leave the EGM venue;
  - (ii) Every attendee will be required to wear surgical facial mask throughout the EGM and maintain a safe distance between seats. Please note that no masks will be provided at the EGM venue and attendees should wear their own masks; and
  - (iii) The Company will not provide refreshments and will not distribute corporate gifts.

In light of the continuing risks posed by the COVID-19, the Company encourages the Shareholders to consider appointing the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

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