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YOUYUAN INTERNATIONAL HOLDINGS LIMITED

優源國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2268)

ANNOUNCEMENT ON

- (1) UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS;**
- (2) DEALING OF SECURITIES DURING THE BLACKOUT PERIOD;**
- (3) RULES 13.09(2) and 13.19 OF THE LISTING RULES AND INSIDE INFORMATION; AND**
- (4) CONTINUED SUSPENSION OF TRADING**

This announcement is made by Youyuan International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2) and 13.19 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS

Reference is made to the announcement of the Company dated 19 August 2019 in relation to the halt of trading of its shares (“**Shares**”) on the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

The board (“**Board**”) of directors (“**Directors**”) of the Company has noted a decrease in the price and an increase in the trading volume of the Shares on 19 August 2019 immediately prior to the halt in the trading of the Shares on the Stock Exchange with effect from 11:08 a.m. on 19 August 2019.

The Board, after making enquiries as are reasonable in the circumstances, was informed by Mr. Ke Wentuo (“**Mr. Ke**”), who is the chairman, an executive Director and a controlling shareholder (as that term is defined in the Listing Rules) of the Company and Mr. Ke Jixiong (“**Mr. J Ke**”), who is an executive Director of the Company that:

- (1) Smart Port Holdings Limited (“**Smart Port**”), a company wholly-owned by Mr. Ke, Everproud International Limited (“**Everproud**”), a company wholly-owned by Mr. J Ke and Denron International Limited (“**Denron**”), a company wholly-owned by the spouse of Mr. Ke, have entered into certain margin financing arrangements with independent third party lenders for personal financing purposes of Mr. Ke, Mr. J Ke and the spouse of Mr. Ke and an aggregate of 278,107,000 Shares (the “**A Pledged Shares**”), representing approximately 22.37% of the entire issued share capital of the Company, were pledged as collaterals in favour of the lenders to secure repayment of the margin financing provided, as to 227,500,000 A Pledged Shares by Smart Port, 21,930,000 A Pledged Shares by Everproud and 28,677,000 A Pledged Shares by Denron;
- (2) an aggregate of 223,000,000 Shares (the “**B Pledged Shares**” and together with the A Pledged Shares, the (“**Pledged Shares**”)), representing approximately 17.94% of the entire issued share capital of the Company, were also pledged by Smart Port in favour of other creditors as security for the obligations of the Company;
- (3) save for 105,000,000 B Pledged Shares which were pledged on 19 August 2019, the other B Pledged Shares were not pledged during any blackout period during which the Directors are prohibited from dealing in the Shares pursuant to the securities dealing code adopted by the Company which are on terms no less exacting than those set out in Appendix 10 to the Listing Rules (“**Blackout Period**”); and
- (4) immediately prior to the halt in the trading of the Shares on the Stock Exchange, 89,542,000 Pledged Shares, comprising 89,132,000 A Pledged Shares (as to 55,956,000 A Pledged Shares held by Smart Port, 21,930,000 A Pledged Shares held by Everproud and 11,246,000 A Pledged Shares held by Denron) and 410,000 B Pledged Shares held by Smart Port, representing approximately 7.20% of the entire issued share capital of the Company, were disposed of (“**Disposal**”) by or for and on behalf of the lenders and the creditors, to settle the amounts due to the lenders and the creditors.

The following table sets out the shareholdings of Smart Port, Everproud and Denron, each as beneficial owner, immediately before and upon the Disposal on the basis of 1,243,025,712 Shares in issue as at 19 August 2019:

	Immediately prior to the Disposal		Immediately upon the Disposal	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Smart Port	500,560,500	40.27	444,194,500	35.73
Everproud	41,930,000	3.37	20,000,000	1.61
Denron	28,677,000	2.31	17,431,000	1.40

DEALING OF SECURITIES DURING THE BLACKOUT PERIOD

The Directors were prohibited from dealing in any Shares during any Blackout Period save under exceptional circumstances as may be permitted under the Listing Rules.

The 89,542,000 Pledged Shares disposed of by the lenders and the creditors on 19 August 2019 under the Disposal in enforcing the security of the Pledged Shares constituted a dealing by each of Mr. Ke and Mr. J Ke of the Shares during the Blackout Period (i.e. the period of 30 days immediately preceding the proposed date of publication of the interim results announcement for the six month period ended 30 June 2019 (“**Interim Results**”) of the Company on 28 August 2019, subsequently changed to 30 August 2019). Each of Mr. Ke and Mr. J Ke was in a passive position in relation to the Disposal. The Directors (other than Mr. Ke and Mr. J Ke who are affected by the Disposal) were satisfied that the Disposal during the Blackout Period was made under exceptional circumstances under paragraph C.14 of Appendix 10 to the Listing Rules.

The 105,000,000 B Pledged Shares pledged on 19 August 2019 were pledged during the Blackout Period of the Interim Results and constituted a dealing of Shares by Mr. Ke. The Directors (other than Mr. Ke who is affected by the Disposal) were satisfied that such pledge during the Blackout Period was made under exceptional circumstances under paragraph C.14 of Appendix 10 to the Listing Rules and should be allowed.

BREACH OF LOAN AGREEMENTS

Immediately after the Disposal, Mr. Ke and Smart Port are holding less than 30% Shares in the Company free from encumbrances. This constitutes an event of default (“**Event of Default**”) under various bonds, unsecured notes, convertible bonds and loan agreements (the “**Finance Documents**”) to which the Company is a party as borrower. The Group could be liable to effect immediate payment of all principal amounts due, which is estimated to be approximately HK\$2,594 million, under the terms of the Finance Documents together with interest accrued thereon in view of the Event of Default.

The Board is reviewing the current situation and is considering a range of solutions to address it, including the viability of seeking an extension of the repayment schedule of the amounts due, waiver from the relevant creditors and liaising with them with a view to come up with viable solutions.

The Company will continue to monitor its financial position and will inform and update its shareholders and other investors of any material development in relation to the above by way of announcement as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 11:08 a.m. on 19 August 2019 pending the release of this announcement.

Reference is also made to the announcement of the Company dated 30 August 2019 in relation to, among others, the delay in publication of the Interim Results in accordance with Rule 13.49(6) of the Listing Rules. In view of the delay, the trading in the Shares of the Company will remain suspended until further notice. The Company will keep its shareholders and the public informed of the date of meeting of the Board to approve the Interim Results or any update information as and when appropriate.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

By order of the Board
Youyuan International Holdings Limited
Ke Wentuo
Chairman

Hong Kong, 5 September 2019

As at the date of this announcement, the executive Directors are Mr. Ke Wentuo, Mr. Ke Jixiong, Mr. Cao Xu and Mr. Zhang Guoduan; and the independent non-executive Directors are Prof. Zhang Daopei, Prof. Chen Lihong and Mr. Chow Kwok Wai.