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## **XIN YUAN ENTERPRISES GROUP LIMITED**

**信源企業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1748)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE SALE AND LEASEBACK FINANCING ARRANGEMENT OF XYMG NOBLE**

#### **THE SALE AND LEASEBACK FINANCING ARRANGEMENT**

The Board hereby announces that on 4 March 2022, the Charterer, an indirect wholly-owned subsidiary of the Company, entered into, among others, (1) the Memorandum of Agreement with the Owner, pursuant to which the Owner agreed to purchase and the Charterer agreed to sell the Vessel subject to the terms and conditions therein; and (2) the Bareboat Charter Agreement with the Owner in relation to the bareboat chartering of the Vessel. Under the Bareboat Charter Agreement, the Charterer leases back the Vessel from the Owner and also has the Purchase Option to purchase the Vessel from the Owner, and if the Purchase Option is not exercised, the Charterer has the Purchase Obligation at the end of the Charter Period to purchase the Vessel from the Owner subject to the conditions contained therein.

#### **LISTING RULES IMPLICATIONS**

As one or more applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceed 5% but are less than 25%, the entering into of the Memorandum of Agreement and the Bareboat Charter Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting and the publication of announcement requirement under the Listing Rules but are exempt from the shareholders' approval requirement.

## **INTRODUCTION**

The Board hereby announces that on 4 March 2022, the Charterer, an indirect wholly-owned subsidiary of the Company, entered into, among others, (1) the Memorandum of Agreement with the Owner, pursuant to which the Owner agreed to purchase and the Charterer agreed to sell the Vessel subject to the terms and conditions therein; and (2) the Bareboat Charter Agreement with the Owner in relation to the bareboat chartering of the Vessel. Under the Bareboat Charter Agreement, the Charterer leases back the Vessel and also has the Purchase Option to purchase the Vessel from the Owner, and if the Purchase Option is not exercised, the Charterer has the Purchase Obligation at the end of the Charter Period to purchase the Vessel from the Owner subject to the conditions contained therein.

## **DETAILS OF THE MEMORANDUM OF AGREEMENT AND THE BAREBOAT CHARTER AGREEMENT**

### **Date**

4 March 2022

### **Parties**

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

### **Subject Matter**

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

### **Consideration**

Pursuant to the Memorandum of Agreement and the Bareboat Charter Agreement, the purchase price of the Vessel is US\$16,000,000 (the “**Purchase Price**”) and shall be settled by the Owner as follows:

- (i) the Owner shall pre-position an amount of US\$6,500,000 (the “**Pre-positioned Amount**”); and
- (ii) the Owner shall (a) execute a release letter to release the Pre-positioned Amount; and (b) remit the balance of the Purchase Price (after deducting the Pre-positioned Amount) to the Charterer’s account through telegraphic transfer,

provided that:

- (i) the Owner shall not be obliged to pre-position all or any part of the Purchase Price in accordance with the Memorandum of Agreement unless the Owner has received all of the documents and other evidence referred to as the “*Conditions precedent to pre-position*” in the Bareboat Charter Agreement;
- (ii) the Owner shall not be obliged to release or remit all or any part of the Purchase Price in accordance with the Memorandum of Agreement and charter the Vessel to the Charterer in accordance with the terms and conditions of the Bareboat Charter Agreement unless the Owner, on or prior to the Actual Delivery Date, has received all of the documents and other evidence referred to as the “*Conditions precedent to delivery*” in the Bareboat Charter Agreement;
- (iii) each document provided to the Owner pursuant to the Bareboat Charter Agreement shall be in form and substance satisfactory to the Owner; and
- (iv) the above conditions may be waived or deferred in whole or in part and with or without conditions only by the Owner.

The Purchase Price was determined (i) by reference to the fair value of the Vessel, being approximately US\$20,000,000, based on the valuation of the market value of the Vessel as at 10 January 2022 stated in the Valuation Report (the “**Valuation**”); (ii) by applying the appropriate adjustments to the Valuation by the Company in consideration of various material factors relating to the Vessel, including the then market supply and demand of similar vessels; and (iii) after arm’s length negotiations between the parties on normal commercial terms. The Directors consider that the Purchase Price arrived at in respect of the Vessel is fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **Charter Period**

The Charter Period shall be a period of 36 months commencing from the Actual Delivery Date.

### **Charter Hire**

The charter hire, being all and any hire for use of the Vessel payable by the Charterer, for each Hire Period (each, a “**Charter Hire**”) shall consist of:

- (i) the additional hire, being the product of (a) the Pre-positioned Amount; (b) 6.7%; and (c) a fraction whose denominator is 360 and numerator is the number of days which elapsed from the date on which the Pre-positioned Amount is pre-positioned by the Owner (the “**Pre-position Date**”) to the Actual Delivery Date, payable on the Actual Delivery Date;

- (ii) the aggregate amount calculated by multiplying the Daily Charter Rate by the number of days in the corresponding Hire Period, payable on each of the dates falling on or prior to the expiry date of the Charter Period (the “**Hire Payment Date**”) as set out in the Bareboat Charter Agreement; and
- (iii) the Balloon, payable on the expiry date of the Charter Period, unless the Owner have received full amount of the Purchase Option Price (as defined below) or the Purchase Obligation Price (as defined below).

### **Upfront Fee**

The Charterer shall on or before the Pre-position Date pay to the Owner a project arrangement fee in the amount of 1% of the Purchase Price, such amount to be credited into the Owner’s account (or such account as the Owner may notify the Charterer from time to time).

### **Purchase Option**

Subject to (a) no Total Loss; (b) no potential termination event or termination event, as set out in the Bareboat Charter Agreement, having occurred; and (c) the Charterer’s delivery of a written notice (in such form as the Owner and the Charterer may agree from time to time) for the purpose of the Charterer exercising their Purchase Option at least two (2) months (or such shorter period as the Owner may agree) prior to the purchase option date (the “**Purchase Option Date**”) as set out in the Bareboat Charter Agreement, the Charterer may purchase the Vessel on the relevant Purchase Option Date for the corresponding purchase option price (the “**Purchase Option Price**”) as set out in the Bareboat Charter Agreement.

### **Purchase Obligation**

Unless the Bareboat Charter Agreement has been otherwise terminated prior to the expiry of the Charter Period and subject to no Total Loss, the Charterer shall be obliged to purchase the Vessel or cause their nominee to purchase the Vessel upon the expiration of the Charter Period on an “as is, where is” basis by payment of the aggregate of (a) an amount equal to the Balloon; (b) all unpaid sums due and payable together with interest accrued thereon pursuant to the Bareboat Charter Agreement; and (c) break costs (if any) (the “**Purchase Obligation Price**”).

### **OTHER DOCUMENTS**

In connection with the transactions contemplated under the Memorandum of Agreement and the Bareboat Charter Agreement, the following documents (collectively, the “**Security Documents**”), among others, will be entered into on 8 March 2022, except that the Account Charge (as defined below) has been entered into on 4 March 2022:

- (i) a deed of assignment executed by the Charterer in favour of the Owner in relation to certain of the Charterer’s rights and interest in and to, among others, the earnings, insurances, requisition compensation and any sub-charter in respect of the Vessel;
- (ii) a deed of charge over the shares of the Charterer executed by the Charterer in favour of the Owner;

- (iii) a deed of undertaking executed by Xin Yuan Ship Management (Hong Kong) Limited (信源船舶管理(香港)有限公司), a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company, in favour of the Owner; and
- (iv) a deed of charge over the earnings account of the Charterer executed by the Charterer in favour of the Owner (the “**Account Charge**”).

## **GUARANTEE**

The Company, as the parent company of the Charterer, has entered into a guarantee in favour of the Owner on 4 March 2022 (the “**Guarantee**”) in respect of, among others:

- (i) to guarantee the punctual performance by the Charterer of all of its obligations under the Transaction Documents;
- (ii) to undertake to the Owner that whenever the Charterer does not pay any amount when due under or in connection with any Transaction Document, the Company shall immediately on demand pay that amount as if it were the principal obligor; and
- (iii) to agree with the Owner 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 the Owner immediately on demand against any cost, loss or liability it incurs as a result of the Charterer not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Transaction Document 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 if the amount claimed had been recoverable on the basis of a guarantee.

## **REASONS FOR, AND BENEFITS OF, ENTERING INTO THE TRANSACTION**

The entering into of the Memorandum of Agreement and the Bareboat Charter Agreement is a sale and leaseback financing arrangement with regard to the Vessel, 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 over the Vessel, which will also strengthen the cash flow of the Group.

In accordance with the requirements of Hong Kong Financial Reporting Standards, the entering into of the Memorandum of Agreement and the Bareboat Charter Agreement and the transactions contemplated thereunder shall be accounted for as a financing transaction and therefore would not give rise to any gain or loss.

The terms of the Memorandum of Agreement and the Bareboat Charter Agreement were arrived at after arm’s length negotiations between the parties with reference to the value of the Vessel and the borrowing cost of the Group. The Directors are therefore of the view that the terms of the Memorandum of Agreement, the Bareboat Charter Agreement and the transactions contemplated thereunder, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## INFORMATION ON THE COMPANY AND THE PARTIES

### The Company and the Charterer

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 Charterer is also principally engaged in vessel owning and chartering services and is an indirect wholly-owned subsidiary of the Company.

### The Owner

The Owner is Fore Marine Pte. Ltd., which is principally engaged in, among others, the provision of ship brokering services. It is directly wholly-owned by Shandong Shipping (Hong Kong) Leasing Company Limited (山東海運(香港)融資租賃有限公司), a company incorporated under the laws of Hong Kong, and an indirect non-wholly owned subsidiary of State-owned Assets Supervision and Administration Commission of Shandong Province's Government (山東省人民政府國有資產監督管理委員會).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Owner and its ultimate beneficial owner is a third party independent of the Company and connected persons of the Company.

### The Vessel

The Vessel is a bulk carrier with a gross tonnage of 101,933, built in 2004. As at 31 December 2021, the net asset book value of the Vessel was approximately US\$14,394,000. 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)	(unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>
Net profit before taxation	2,224	2,287
Net profit after taxation	2,224	2,287

## LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceed 5% but are less than 25%, the entering into of the Memorandum of Agreement and the Bareboat Charter Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting and the publication of announcement requirement under the Listing Rules but are exempt from the shareholders' approval requirement.

## DEFINITIONS

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

“Actual Delivery Date”	the date of delivery of the Vessel by the Owner to the Charterer under the Bareboat Charter Agreement
“Balloon”	US\$8,700,000, being the amount payable by the Charterer to the Owner on the expiry date of the Charter Period
“Bareboat Charter Agreement”	the bareboat charter agreement dated 4 March 2022 entered between the Charterer (as charterer) and the Owner (as owner) in relation to the bareboat chartering of the Vessel
“Board”	the board of directors of the Company
“Charter Period”	the period of 36 months commencing from the Delivery Date
“Charterer”	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
“Company”	Xin Yuan Enterprises Group Limited (信源企業集團有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 28 June 2016
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Daily Charter Rate”	in respect of the Charter Period, the rate in the sum of US\$9,000 per day
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Vessel by the Charterer to the Owner pursuant to the Memorandum of Agreement
“Group”	the Company and its subsidiaries

“Hire Period”	in respect of any Hire Payment Date, the period as set out in the Bareboat Charter Agreement 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Agreement”	the memorandum of agreement dated 4 March 2022 entered between the Charterer (as seller) and the Owner (as buyer) in relation to the sale and purchase of the Vessel
“Owner”	Fore Marine Pte. Ltd., a company incorporated under the laws of Singapore
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Administrative Region of the People’s Republic of China and Taiwan
“Purchase Obligation”	the purchase obligation as set out under the section headed “ <i>Details of the Memorandum of Agreement and the Bareboat Charter Agreement — Purchase Obligation</i> ” in this announcement
“Purchase Option”	the purchase option as set out under the section headed “ <i>Details of the Memorandum of Agreement and the Bareboat Charter Agreement — Purchase Option</i> ” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Loss”	during the Charter Period, (a) actual or constructive or compromised or agreed or arranged total loss of the Vessel; (b) the requisition for title or compulsory acquisition of the Vessel by any government or other competent authority (other than by way of requisition for hire); or (c) the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture of the Vessel, unless the Vessel is released and returned to the possession of the Owner or the Charterer within ninety (90) days after the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture in question
“Transaction Documents”	the Memorandum of Agreement, the Bareboat Charter Agreement, the Guarantee, the Security Documents and such other documents as may be designated as agreed by the Owner and the Charterer from time to time



“US\$”	United States dollar(s), the lawful currency of the United States of America
“Valuation Report”	the valuation report dated 10 January 2022 prepared by an independent valuer adopting the market approach in respect of the market value of the Vessel as at 10 January 2022
“Vessel”	XYMG NOBLE with IMO No. 9314674
“%”	Per-cent

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

Hong Kong, 4 March 2022

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