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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS 2024–2026 BILSEA MASTER SERVICE AGREEMENT

On 1 December 2023, Shun Yuen HK entered into the 2024–2026 Bilsea Master Service Agreement with Bilsea International, pursuant to which, Shun Yuen HK and its subsidiaries will continue to provide asphalt tanker chartering services to Bilsea International for the three years ending 31 December 2026, and the transactions contemplated thereunder constitute continuing connected transactions of the Group. The 2024–2026 Bilsea Master Service Agreement is in substance renewal of the Existing Bilsea Master Service Agreement and the terms of the 2024–2026 Bilsea Master Service Agreement are substantially the same as the Existing Bilsea Master Service Agreement.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Bilsea International is held as to 64%, 34%, 2% by Ms. Liu Weipeng, Mr. Yan Xiankai (the spouse of Ms. Liu Weipeng) and Ms. Gao Chuan, respectively. As Ms. Liu Weipeng and Mr. Yan Xiankai are both the directors of some of the subsidiaries (namely Bilxin Shipping and its subsidiaries) of the Company, Bilsea International is an associate of each of Ms. Liu Weipeng and Mr. Yan Xiankai, and is a connected person of the Group at the subsidiary level. Therefore, the transactions contemplated under the 2024–2026 Bilsea Master Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) Bilsea International is regarded as a connected person of the Company only at the subsidiary level; (ii) the Continuing Connected Transactions are on normal commercial terms; (iii) the Board has approved the Continuing Connected Transactions; and (iv) the independent non-executive Directors have confirmed that the terms of the Continuing Connected Transactions are fair and reasonable and that the Continuing Connected Transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As (i) the asphalt tanker chartering contracts in relation to the Continuing Connected Transactions are not classified as operating leases; and (ii) the provision of asphalt tanker chartering services under the Continuing Connected Transactions is of a revenue nature in the ordinary and usual course of business of the Company, the Board is of the opinion that the Continuing Connected Transactions do not meet the criteria of a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

None of the Directors has any material interest in the Continuing Connected Transactions and none of them is required to abstain from voting on the relevant resolutions of the Board.

INTRODUCTION

The Existing Bilesea Master Service Agreement will expire on 31 December 2023. As the Company intends to continue the transactions contemplated thereunder, on 1 December 2023, Shun Yuen HK entered into the 2024–2026 Bilesea Master Service Agreement with Bilesea International based on substantially the same terms and conditions as the Existing Bilesea Master Service Agreement.

KEY TERMS OF THE 2024–2026 BILSEA MASTER SERVICE AGREEMENT

Date

1 December 2023

Parties

- (i) Shun Yuen HK (as service provider); and
- (ii) Bilesea International (as purchaser)

Subject Matter

Shun Yuen HK and its subsidiaries agreed to provide asphalt tanker chartering services to Bilesea International for the three years ending 31 December 2026.

Pricing Policy

The service fees payable were determined after arm's length negotiation between the parties thereto with reference to (i) reputation of the customer; (ii) duration of charter period; (iii) the prevailing market circumstances and the prevailing market prices for asphalt tanker chartering services; (iv) past business relationship with the customer; (v) the financing cost of the vessels of the Group; (vi) cost of shipbuilding and operation; and (vii) cargo quantity. In order to ensure that the service fees are fair and reasonable and in line with market practices, the Group will keep abreast of the prevailing fee level in the market and the market conditions and the Directors would ensure prices of asphalt tanker chartering services offered to Bilesea International under the 2024–2026 Bilesea Master Service Agreement are no less favourable to the Group than those offered to other independent customers.

PROPOSED ANNUAL CAPS

The following table sets out the historical transactions amounts under the Existing Bilsea Master Service Agreement and the Proposed Annual Caps for the provision of asphalt tanker chartering services by Shun Yuen HK and its subsidiaries to Bilsea International under the 2024–2026 Bilsea Master Service Agreement:

	For the year ended 31 December 2021 <i>US\$'000</i> (audited)	For the year ended 31 December 2022 <i>US\$'000</i> (audited)	For the ten months ended 31 October 2023 <i>US\$'000</i> (unaudited)
Historical transaction amounts under the Existing Bilsea Master Service Agreement	11,199	11,099	10,650
	For the year ending 31 December 2024 <i>US\$'000</i>	For the year ending 31 December 2025 <i>US\$'000</i>	For the year ending 31 December 2026 <i>US\$'000</i>
Proposed Annual Caps under the 2024–2026 Bilsea Master Service Agreement	15,000	18,000	21,000

In arriving at the Proposed Annual Caps for the provision of asphalt tanker chartering services by Shun Yuen HK and its subsidiaries to Bilsea International under the 2024–2026 Bilsea Master Service Agreement, the Directors have considered:

- (i) the historical transaction amounts for the provision of asphalt tanker chartering services by Shun Yuen HK to Bilsea International for the ten months ended 31 October 2023;
- (ii) the estimated future needs of asphalt tanker chartering services of Bilsea International for the years ending 31 December 2024, 2025 and 2026, taking into account the gradual increase in trading volume of asphalt of Bilsea International and the estimated market conditions of the asphalt tanker chartering services for the three years ending 31 December 2026; and
- (iii) the estimated increase in freight rate level for voyage charter for the asphalt tanker chartering services of the Group, taking into account the estimated rebound in the global asphalt tanker chartering market following the lifting of control of the coronavirus disease (COVID-19) in 2023.

INFORMATION ON THE PARTIES

The Company is an investment holding company. The Group is principally engaged in the provision of asphalt tanker chartering services under various types of charter agreement comprising: (i) time charters; and (ii) voyage charters and contracts of affreightment. Shun Yuen HK is an indirect wholly-owned subsidiary of the Company principally engaged in investment holding. Bilsea International is a company mainly engaging in asphalt trading and provision of transportation services.

REASONS FOR AND BENEFITS OF THE 2024–2026 BILSEA MASTER SERVICE AGREEMENT

Taking into account that the Group has already provided asphalt tanker chartering services to Bilsea International in the past and the provision of such services has offered stable and considerable profits to the Group historically, the Directors consider that it is in the Group's interests to continue the relationship with Bilsea International and to provide the asphalt tanker chartering services under the 2024–2026 Bilsea Master Service Agreement to Bilsea International.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the 2024–2026 Bilsea Master Service Agreement are in substance a continuation of the transactions under the Existing Bilsea Master Service Agreement, and will be conducted in the ordinary and usual course of business of the Group and are on normal commercial terms, and that the terms of the 2024–2026 Bilsea Master Service Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Bilsea International is held as to 64%, 34%, 2% by Ms. Liu Weipeng, Mr. Yan Xiankai (the spouse of Ms. Liu Weipeng) and Ms. Gao Chuan, respectively. As Ms. Liu Weipeng and Mr. Yan Xiankai are both the directors of some of the subsidiaries (namely Bilxin Shipping and its subsidiaries) of the Company, Bilsea International is an associate of each of Ms. Liu Weipeng and Mr. Yan Xiankai, and is a connected person of the Group at the subsidiary level. Therefore, the transactions contemplated under each of the Existing Bilsea Master Service Agreement and the 2024–2026 Bilsea Master Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) Bilsea International is regarded as a connected person of the Company only at the subsidiary level; (ii) the Continuing Connected Transactions are on normal commercial terms; (iii) the Board has approved the Continuing Connected Transactions; and (iv) the independent non-executive Directors have confirmed that the terms of the Continuing Connected Transactions are fair and reasonable and that the Continuing Connected Transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As (i) the asphalt tanker chartering contracts in relation to the Continuing Connected Transactions are not classified as operating leases; and (ii) the provision of asphalt tanker chartering services under the Continuing Connected Transactions is of a revenue nature in the ordinary and usual course of business of the Company, the Board is of the opinion that the Continuing Connected Transactions do not meet the criteria of a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

None of the Directors has any material interest in the Continuing Connected Transactions and none of them is required to abstain from voting on the relevant resolutions of the Board.

DEFINITIONS

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

“Bilsea International”	Bilsea International Pte. Ltd., an exempt private company limited by shares incorporated in Singapore on 1 August 2008, which is owned as to 64%, 34%, 2% by Ms. Liu Weipeng, Mr. Yan Xiankai (the spouse of Ms. Liu Weipeng) and Ms. Gao Chuan, respectively as at the date of this announcement
“Bilxin Shipping”	Bilxin Shipping Group Pte. Ltd., a private company limited by shares incorporated in Singapore on 15 July 2015, which is an indirect wholly-owned subsidiary of the Company
“Board”	the board of directors 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, and its shares are listed on the Main Board of the Stock Exchange (stock code: 1748)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transaction”	the continuing connected transactions contemplated under the 2024–2026 Bilsea Master Service Agreement
“Director(s)”	the director(s) of the Company

“Existing Bilsea Master Service Agreement”	the master service agreement dated 28 October 2020 made between Shun Yuen HK as the service provider and Bilsea International as the purchaser for the provision of asphalt tanker chartering services for a term ending 31 December 2023
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party independent of and not connected with the Company and its subsidiaries and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yan Xiankai”	Mr. Yan Xiankai, being one of the directors of Bilxin Shipping and its subsidiaries and a connected person of the Group at the subsidiary level
“Ms. Gao Chuan”	Ms. Gao Chuan, an Independent Third Party
“Ms. Liu Weipeng”	Ms. Liu Weipeng, being one of the directors of Bilxin Shipping and its subsidiaries and a connected person of the Group at the subsidiary level
“Proposed Annual Caps”	the proposed annual caps for the total amount of the continuing connected transactions under the 2024–2026 Bilsea Master Service Agreement for the years ending 31 December 2024, 2025 and 2026, respectively
“Shareholder(s)”	holder(s) of the ordinary shares of US\$0.01 each in the issued share capital of the Company
“Shun Yuen HK”	Shun Yuen Group (Hong Kong) Limited (信源集團(香港)有限公司), a company incorporated in Hong Kong with limited liability on 19 August 2014, which is indirectly wholly-owned by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar(s), the lawful currency of the United States of America

“2024–2026 Bilsea Master Service Agreement”

the master service agreement dated 1 December 2023 made between Shun Yuen HK as the service provider and Bilsea International as the purchaser for the provision of asphalt tanker chartering services with a term of three years ending 31 December 2026

“%”

per-cent

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

Hong Kong, 1 December 2023

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