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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)

ISSUE OF NEW SHARES UNDER THE GENERAL MANDATE

THE SUBSCRIPTION

On 6 January 2025 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue and allot, and the Subscriber conditionally agreed to subscribe for, 88,000,000 Subscription Shares for the aggregate Subscription Price of HK\$105,600,000, which shall be paid by the Subscriber to the Company by cash at Completion.

The total number of 88,000,000 Subscription Shares represents (i) 20% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to Completion). The maximum aggregate nominal value of the Subscription Shares will be US\$880,000.

The Subscription Shares will be allotted and issued under the General Mandate. The allotment and issue of the Subscription Shares is not subject to the approval of the Shareholders.

Subject to Completion, the gross proceeds from the Subscription will be HK\$105,600,000 and the Net Proceeds will be approximately HK\$105 million (after deduction of legal fees, other professional fees and other expenses of the Subscription), representing a net issue price of HK\$1.19 per Subscription Share.

The Company intends to use (i) approximately HK\$94.5 million (approximately 90% of the Net Proceeds) to finance the remaining consideration in the sum of US\$25.2 million payable by the Company for the Vessel Acquisition; and (ii) approximately HK\$10.5 million (approximately 10% of the Net Proceeds) as general working capital of the Group.

WARNINGS

Since the Completion is subject to the satisfaction of the condition precedent as set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

THE SUBSCRIPTION

On 6 January 2025 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue and allot, and the Subscriber conditionally agreed to subscribe for, 88,000,000 Subscription Shares for the aggregate Subscription Price of HK\$105,600,000, which shall be paid by the Subscriber to the Company by cash at Completion. The principal terms of the Subscription Agreement are set out below.

THE SUBSCRIPTION AGREEMENT

Date: 6 January 2025

Parties: The Company (as the issuer); and TGG Ventures Limited (as subscriber)

Information of the parties

The Group

The Company was incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on Main Board of the Stock Exchange. The Company is an investment holding company and 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.

The Subscriber

The Subscriber is a company incorporated in Hong Kong with limited liability whose principal business is investment holding. To the best of the Company's knowledge, information and belief, the Subscriber and its ultimate beneficial owners are Independent Third Parties which are independent of and not connected with the Company and its connected persons.

Subscription Shares

The total number of 88,000,000 Subscription Shares represents (i) 20% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to Completion). The maximum aggregate nominal value of the Subscription Shares will be US\$880,000.

The Subscriber shall not, within six months from the date of the Completion, sell or contract to sell any of the Subscription Shares or create any options, rights, interests and/or encumbrances over any of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$1.20 per Subscription Share represents:

- (i) a discount of approximately 13.67% to the closing price of HK\$1.39 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a discount of 20% to the average of the closing prices per Share of HK\$1.50 as quoted on the Stock Exchange for the last five consecutive Business Days immediately preceding the date of the Subscription Agreement. The Subscription Price was determined with reference to the prevailing market price of the Shares between the Company and the Subscriber.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Directors (including the independent non-executive Directors) consider that the Subscription is in the interests of the Company and the Shareholders as a whole. After taking into account all related costs, fees, expenses and commission of the Subscription, the net issue price of each Subscription Share is approximately HK\$1.19.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, shall rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

General Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors by resolution of the Shareholders passed at the AGM, subject to the limit of up to 20% of the then total number of Shares in issue of 440,000,000 Shares as at the date of the AGM. Under the General Mandate, the Company is authorised to issue up to 88,000,000 new Shares. Up to the date of this announcement, no Share has been allotted and issued under the General Mandate. Accordingly, the allotment and issue of the Subscription Shares is not subject to the approval of the Shareholders.

Conditions Precedent

Completion is conditional upon the fulfillment satisfaction of the following Conditions Precedent on or before the Long Stop Date (or such other date as may be agreed to by the Subscriber and the Company):

- (i) the Stock Exchange having granted (conditionally or unconditionally) the listing of, and permission to deal in, the Subscription Shares on the Main board of the Stock Exchange;
- (ii) the listing status of the Shares not being revoked, such that the Shares shall continue to be traded on the Stock Exchange before the completion and that neither the Stock Exchange nor the Securities and Futures Commission has indicated its dissenting view on the above-mentioned listing status based on the transactions proposed to be conducted under the Subscription Agreement or reasons arising from thereof;
- (iii) the Subscriber has conducted due diligence on the Company and is satisfied with the results;
- (iv) the Company does not acquire any new subsidiary or form any new joint venture;
- (v) no member of the Group has disposed of any assets or ceased operations;
- (vi) there are no significant fluctuations on the prices or trading volume of the Shares on the Stock Exchange;
- (vii) the investment committee of the Subscriber having approved the transactions contemplated under the Subscription Agreement;
- (viii) there is no material adverse change on the business, financial status or operations on each member of the Group;
- (ix) there is no change in composition of the Board;
- (x) there is no material adverse change on any of the Hong Kong or other Asian stock markets which will adversely affect the price of the Shares; and
- (xi) all warranties given under the Subscription Agreement will remain true, accurate and not misleading in all material respects from the date of the Subscription Agreement until the Completion.

If the Conditions Precedent are not fulfilled by the Long Stop Date (or such other date as may be agreed to by the Subscriber and the Company), all rights, obligations and liabilities of the parties under the Subscription Agreement in relation to the Subscription shall cease and terminate and none of the parties shall have any claim against any other party in respect of the Subscription save for any antecedent breaches of the Subscription Agreement.

Completion of the Subscription Agreement

Completion of the Subscription Agreement shall take place on the fifth (5th) Business Day after the fulfilment of the Conditions Precedent (or such later date as may be agreed between the Company and the Subscriber).

TOTAL FUNDS TO BE RAISED AND THE USE OF PROCEEDS

Subject to Completion, the gross proceeds from the Subscription will be HK\$105,600,000 and the Net Proceeds will be approximately HK\$105 million (after deduction of legal fees, other professional fees and other expenses of the Subscription), representing a net issue price of HK\$1.19 per Subscription Share.

The Company intends to use (i) approximately HK\$94.5 million (approximately 90% of the Net Proceeds) to finance part of the remaining consideration in the sum of US\$25.2 million payable by the Company for the Vessel Acquisition; and (ii) approximately HK\$10.5 million (approximately 10% of the Net Proceeds) as general working capital of the Group. The Net Proceeds are expected to be fully utilized on or before 31 December 2025.

REASONS OF THE SUBSCRIPTION

The Company is an investment holding company and 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.

The Directors consider that the Subscription represents an opportunity to raise capital for the Company while broadening its Shareholder and capital base. The Directors are of the view that the Subscription can strengthen the financial position and liquidity of the Group, provide additional working capital to the Group to meet its future development and its existing operations and serve as a means to finance the payment of the remaining consideration for the Vessels Acquisition.

As at 31 December 2023, the Group had pledged bank deposits and bank and cash balances of approximately US\$22.7 million in aggregate, representing a decrease of approximately US\$17.0 million as compared to approximately US\$39.7 million as at 31 December 2022. Such cash outflows were mainly a combined effect of the profits generated from operations and gradual repayment of borrowings and lease liabilities. As at 30 June 2024, the Group had bank and cash balances of approximately US\$34.1 million in aggregate, representing an increase of approximately US\$11.4 million as compared to approximately US\$22.7 million as at 31 December 2023. Such cash inflows were mainly the combined effects of the profits generated from operations, non-recurring gain on disposal of a vessel and gradual repayment of borrowings and lease liabilities. The repayment of borrowings and lease liabilities resulted in the decrease in gearing ratio of the Group from 0.47 as at 31 December 2023 to

0.32 as at 30 June 2024. As at 30 June 2024, the Group's indebtedness mainly comprised borrowings and lease liabilities of approximately US\$42.3 million and US\$0.5 million, respectively.

As at 30 June 2024, the carrying amounts of bank balances restricted from being used and vessels pledged as securities for the Group's borrowings amounted to approximately US\$2.6 million and US\$85.0 million, respectively. The carrying value of vessels pledged represented approximately 59.2% of the Group's total carrying value of vessels.

The Directors are of the view that although the gradual repayment of borrowings and lease liabilities has improved the financial positions of the Group, the Company needs to seek alternate funding source in addition to profits generated from operations, borrowings and financial leases to further enhance its financial positions in view of the payment schedule in relation to the shipbuilding contract entered into by the Group for construction of two vessels in the amount of approximately US\$42 million with the first vessel due for delivery by 31 December 2025 and the second vessel due for delivery by 31 March 2026, details of which are set out in the Vessel Acquisition Announcement.

Prior to entering into the Subscription Agreement, the Company has considered other fund-raising alternatives. As disclosed in the annual report of the Company for the year ended 31 December 2023, the effective interest rates of the Group's other loans were in the range of 7.16% to 9.59% and these loans were secured by (i) mortgage over the Group's vessels; (ii) corporate guarantee provided by the Company; (iii) restricted bank balances; and (iv) shares of certain subsidiaries. The Directors are of the view that additional borrowings to finance the settlement of the aforesaid shipbuilding contract would significantly increase the indebtedness of the Group and adversely affect the lower gearing ratio of the Group. Furthermore, based on the discussions of the Company with financial institutions, the terms of borrowing would not be more favourable than the aforesaid range of effective interest rates and the borrowing collateral terms. Rights issue and open offer involve the issue of a prospectus and longer timetable when compared with the shorter timetable of issue of Subscription Shares under the General Mandate. In the circumstances, the Directors consider that the issue of the Subscription Shares pursuant to the Subscription Agreement appears to be an appropriate opportunity of fund-raising currently available to the Company.

In light of the above, the Directors are of the view that the Subscription Agreement is entered into on normal commercial terms following arm's length negotiations between the Company and the Subscriber and terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising activity in the past 12 months immediately preceding the date of this announcement.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion (assuming there is no change in the issued share capital of the Company from the date of this announcement and up to Completion):

	As at the date of this announcement		Immediately following the Completion	
	No. of Shares	Approximate Shareholding %	No. of Shares	Approximate Shareholding %
Substantial Shareholders				
UNIVERSAL INTERNATIONAL TECHNOLOGY (HONG KONG) LIMITED ^(Note 1)				
	116,000,000	26.36%	116,000,000	21.97%
Golden Boomer Limited ^(Note 2)	30,000,000	6.82%	30,000,000	5.68%
Subscriber	—	—	88,000,000	16.67%
Directors				
Mr. Chen Yanbiao ^(Note 3)	32,354,686	7.35%	32,354,686	6.13%
Mr. Lin Shifeng ^(Note 4)	17,478,000	3.97%	17,478,000	3.31%
Mr. Xu Wenjun ^(Note 5)	34,079,000	7.75%	34,079,000	6.45%
<i>Sub-total:</i>	<u>229,911,686</u>	<u>52.25%</u>	<u>317,911,686</u>	<u>60.21%</u>
Public				
HJ Technology Co., Limited ^(Note 6)	36,000,000	8.18%	36,000,000	6.82%
Forever Win Asia Trading Limited ^(Note 7)	24,642,000	5.60%	24,642,000	4.67%
Peace Investment Limited ^(Note 8)	41,599,971	9.45%	41,599,971	7.87%
Other public Shareholders	<u>107,846,343</u>	<u>24.52%</u>	<u>107,846,343</u>	<u>20.43%</u>
<i>Sub-total:</i>	<u>210,088,314</u>	<u>47.75%</u>	<u>210,088,314</u>	<u>39.79%</u>
Total:	<u>440,000,000</u>	<u>100.00%</u>	<u>528,000,000</u>	<u>100.00%</u>

Notes:

- (1) 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.
- (2) 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 30,000,000 Shares as security to Industrial Bank Co., Ltd, a person other than a qualified lender.

- (3) Mr. Chen Yanbiao was appointed as an executive Director on 26 March 2024. As of 26 March 2024, Mr. Chen Yanbiao is interested in 32,354,686 Shares as a beneficial owner, representing 7.35% of the total number of Shares in issue.
- (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.
- (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) 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.
- (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 24,642,000 Shares held by Forever Win Asia Trading Limited.
- (8) Peace Investment Limited is owned as to 100% by Mr. Fan Liangquan. By virtue of the SFO, Mr. Fan Liangquan is deemed to be interested in the 41,599,971 Shares held by Peace Investment Limited.

APPLICATION FOR LISTING OF THE SUBSCRIPTION SHARES

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

WARNINGS

Since the Completion is subject to the satisfaction of the Conditions Precedent, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“AGM”	the annual general meeting held on 18 June 2024
“Board”	the Board of Directors
“Business Day”	a day (excluding Saturday and Sunday) on which banks in Hong Kong are generally open for business and on which the Stock Exchange is open for business of dealing in securities
“Company”	Xin Yuan Enterprises Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange

“Completion”	completion of the Subscription in accordance with the Subscription Agreement
“Conditions Precedent”	the conditions precedent in respect of the Completion set out in the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the unconditional general mandate granted to the Directors at the AGM to allot, issue and deal with Shares of not exceeding 88,000,000 Shares, being 20% of the total number of Shares in issue as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) which is or are not independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 January 2025 or such later date as may be agreed between the Subscriber and the Company in writing
“Net Proceeds”	net proceeds arising from the Subscription
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	the ordinary shares of US\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	TGG Ventures Limited, a company incorporated in Hong Kong with limited liability whose issued share capital is owned by Independent Third Party(ies)
“Subscription”	the subscription for the Subscription Shares by the Subscriber (or its affiliate(s)) pursuant to the Subscription Agreement

“Subscription Agreement”	the subscription agreement dated 6 January 2025 and entered into between the Company and the Subscriber, pursuant to which the Company agreed to issue and allot, and the Subscriber agreed to subscribe for, 88,000,000 Subscription Shares for the aggregate Subscription Price of the HK\$105,600,000
“Subscription Price”	HK\$105,600,000 in aggregate or HK\$1.2 per Subscription Share
“Subscription Shares”	88,000,000 new Shares to be issued by the Company to the Subscriber (or its affiliate(s)) upon Completion
“Vessels Acquisition”	the acquisition of two vessels for an aggregate consideration of US\$42,000,000 as announced in the Vessels Acquisition Announcement
“Vessels Acquisition Announcement”	the announcement of the Company dated 5 August 2024 in respect of the Vessels Acquisition
“%”	per cent.

By Order of the Board
XIN YUAN ENTERPRISES GROUP LIMITED
Chen Jiagan
Chairman & Executive Director

Hong Kong, 6 January 2025

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