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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)

APPOINTMENT OF AN INDEPENDENT LEGAL ADVISER TO THE SPECIAL COMMITTEE, AN INDEPENDENT FORENSIC INVESTIGATOR AND AN INDEPENDENT INTERNAL CONTROL CONSULTANT

This announcement is made by Xin Yuan Enterprises Group Limited (the “**Company**”) in accordance with Rule 13.09(2)(a) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “**SFO**”).

Reference is made to the announcements (the “**Announcements**”) of the Company dated 21 February 2025, 17 April 2025 and 29 May 2025 in relation to, among others, (i) certain allegations against the Company and the directors of the Company; (ii) the appointment of an independent accounting firm to conduct independent agreed-upon procedures investigation works; and (iii) the resumption guidance for the resumption of trading in the shares of the Company (the “**Resumption Guidance**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

APPOINTMENT OF AN INDEPENDENT LEGAL ADVISER TO THE SPECIAL COMMITTEE AND AN INDEPENDENT FORENSIC INVESTIGATOR

The Board announces that in light of Resumption Guidance (a) where the Company is required to conduct an appropriate independent forensic investigation, the Special Committee has (i) appointed an independent third party law firm to advise the Special Committee; (ii) resolved to terminate the AUP investigation; and (iii) appointed an external independent accounting firm to conduct an independent forensic investigation (the “**Forensic Investigation**”) covering, among others, the following matters:

1. whether the allegations in relation to RMB212 million off-balance sheet borrowings (including the source of funds, purpose of funds and whether relevant approvals have been obtained) and misappropriation of company funds are valid. If such allegations are

valid, to investigate the background of such off-balance sheet borrowings and misappropriation of funds, the responsible persons and the impact on the Company's financial statements;

2. whether the allegation in relation to the transfers of 65% of the shares in the Company to Chen Maochun or to account(s) designated by Chen Maochun in accordance with the acquisition agreement and certain supplemental agreements is valid. If such allegation is valid, to investigate the fund flow and its impact on the Company;
3. whether the allegations in relation to the placing of 40,000,000 shares (the “**Placing Shares**”) conducted by the Company in May 2020, in particular (i) whether the subscription of the Placing Shares was financed by the Company and whether the Company has designated two senior management to hold such Placing Shares on its behalf; and (ii) whether the two designated senior management has voted in accordance with the instructions under the shareholding arrangement are valid. If such allegations are valid, to investigate whether any of the existing Directors and relevant responsible persons are suspected of embezzling company funds, financial fraud and/or making false representations;
4. whether there is any loan arrangement of RMB162 million to the Company by the then Director(s) and/or his/their designated companies between 2019 and 2024. If there is such arrangement, to investigate the background of such loans and the impact on the Company;
5. in relation to the allegations that the Company entered into construction contracts for two vessels in July 2024 with a total consideration of US\$42 million which lacked commercial rationale and the decision was made with insufficient due diligence or discussion by the Board, the Forensic Investigation will cover investigation into (i) whether the Group has entered into such construction contracts; and (ii) whether there is any due diligence or board discussions or approvals obtained during the decision-making process. If the allegations are valid, to investigate the commercial rationale for the entering into of the construction contracts;
6. where applicable, to investigate the identity(ies) of the creditor(s) and debtor(s) of any off-balance sheet borrowings as mentioned in paragraph 1 above; and
7. where applicable, to investigate and sort out the documents provided by the complainant in the complaint letters, interview the relevant personnel or the Company's management in relation to such documents to further understand the specific details of the complaints and investigate whether such allegations are valid.

As at the date of this announcement, no report has been issued in relation to the AUP investigation.

The Company will make further announcement(s) on the progress and findings of the Forensic Investigation as and when appropriate.

APPOINTMENT OF AN INDEPENDENT INTERNAL CONTROL CONSULTANT

The Board further announces that in light of Resumption Guidance (d) where the Company is required to conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules, the Company has engaged an internal control consultancy firm (the “**Internal Control Consultant**”) to perform an independent review on the internal control system of major processes of the Company and its major operations subsidiaries (the “**Internal Control Review**”).

The Internal Control Consultant shall assist the Company’s management to assess the Group’s internal controls at entity level and process level covering the period from July 2024 to June 2025. The scope of work includes (i) an assessment of the internal controls at entity level covering control environment, risk assessment, monitoring and supervision, information and communication and monitoring, anti-fraud policies, control activities; (ii) an assessment of the internal controls of the Group’s financial reporting and information disclosure; and (iii) an assessment of the internal controls of the Company and major operating subsidiaries at process level including sales and advance payment/deposit management, procurement and prepayment/accounts payable (including service outsourcing contractors), cash and treasury, fixed assets management, human resources and remuneration management and the general control of information technology system.

The Company will make further announcement(s) on the progress and findings of the Internal Control Review as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 21 February 2025 pending the release of inside information of the Company. The Company will make further announcement(s) as appropriate or as required under the Listing Rules and/or the SFO.

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

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

Hong Kong, 5 June 2025

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