

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTIONS: (1) INCREASING THE ANNUAL CAP OF EXISTING BILSEA MASTER SERVICE AGREEMENT AND (2) RENEWAL OF 2021–2023 BILSEA MASTER SERVICE AGREEMENT

BACKGROUND

Reference is made to the section headed “Continuing Connected Transactions” in the Prospectus in relation to, among others, the non-exempt continuing connected transactions under the Existing Bilsea Master Service Agreement. In light of the increasing demand for the asphalt tanker chartering services and the increase in freight rate level for voyage charter for the asphalt tanker chartering services of the Group in 2020, the Board proposes to revise the Existing Annual Cap for the year ending 31 December 2020 under the Existing Bilsea Master Service Agreement.

Furthermore, on 28 October 2020, Shun Yuen HK entered into the 2021–2023 Bilsea Master Service Agreement with Bilsea International, and the transactions contemplated thereunder constitute continuing connected transactions. The 2021–2023 Bilsea Master Service Agreement is in substance renewal of the Existing Bilsea Master Service Agreement and the terms of the 2021–2023 Bilsea Master Service Agreement are substantially the same as the Existing Bilsea Master Service Agreement.

LISTING RULES IMPLICATIONS

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 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 under each of the Existing Bilsea Master Service Agreement and the 2021–2023 Bilsea Master Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In relation to the revision of the Existing Annual Cap, pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the applicable requirements 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; and (iii) the Board has approved the Continuing Connected Transactions and 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 for the provision of asphalt tanker chartering services by Shun Yuen HK to Bilsea International under each of the Continuing Connected Transactions, (i) as the asphalt tankers chartering contracts are not operating leases; and (ii) the provision of asphalt tanker chartering services is of a revenue nature in the ordinary and usual course of business of the Company, the Board is of the view that each of the Continuing Connected Transactions does not constitute a notifiable transaction of 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 has abstained from voting on the relevant resolutions of the Board.

(1) INCREASING THE ANNUAL CAP OF EXISTING BILSEA MASTER SERVICE AGREEMENT

Background of the Existing Bilsea Master Service Agreement

Reference is made to the section headed “Continuing Connected Transactions” in the Prospectus in relation to, among others, the non-exempt continuing connected transactions under the Existing Bilsea Master Service Agreement. As disclosed in the Prospectus, the Company, pursuant to Rule 14A.105 of the Listing Rules, has applied to the Stock Exchange and the Stock Exchange has granted a waiver to the Company from strict compliance with the announcement requirement, subject to the aggregate value of the non-exempt continuing connected transaction for each financial year not exceeding the relevant annual cap amount as disclosed in the Prospectus.

In light of the increasing demand for the asphalt tanker chartering services and the increase in freight rate level for voyage charter for the asphalt tanker chartering services of the Group in 2020, the Board anticipates that the Existing Annual Cap would not be sufficient to meet the expected transaction amounts for the provision of asphalt tanker chartering services by Shun Yuen HK to Bilsea International under the Existing Bilsea Master Service Agreement for the year ending 31 December 2020. Accordingly, the Board proposes to revise the Existing Annual Cap in order to satisfy the daily operational needs.

Key Terms of the Existing Bilsea Master Service Agreement

(a) Date

6 September 2018

(b) Parties

- (i) Shun Yuen HK (as service provider)
- (ii) Bilsea International (as purchaser)

(c) Subject Matter

Shun Yuen HK agreed to provide asphalt tanker chartering services to Bilsea International and/or its subsidiaries for a term ending 31 December 2020.

(d) Pricing Policy

The service fees payable were determined after arm's length negotiation between Shun Yuen HK and Bilsea International with reference to (i) reputation of the customer; (ii) duration of charter period; (iii) the prevailing market circumstances; (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 Bilsea International under the Existing Bilsea Master Service Agreement are no less favourable to the Group than those offered to other independent customers.

Historical Figures and Annual Caps

The following table sets out the historical transaction amounts and the relevant annual caps for the provision of asphalt tanker chartering services by Shun Yuen HK to Bilsea International under the Existing Bilsea Master Service Agreement:

	For the year ended 31 December 2018 (US\$'000) (audited)	For the year ended 31 December 2019 (US\$'000) (audited)	For the nine months ended 30 September 2020 (US\$'000) (unaudited)
Historical transaction amounts	10,300	12,200	12,270
	For the year ended 31 December 2018 (US\$'000)	For the year ended 31 December 2019 (US\$'000)	For the year ending 31 December 2020 (US\$'000)
Existing annual caps	10,500	12,500	12,500
Proposed Revised Annual Cap	N/A	N/A	19,500

In arriving at the Proposed Revised Annual Cap for the provision of asphalt tanker chartering services by Shun Yuen HK to Bilsea International under the Existing 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 nine months ended 30 September 2020;
- (ii) the increase in demand for the asphalt tanker chartering services by Bilsea International for the nine months ended 30 September 2020 and the estimated increase in demand for the same for the fourth quarter of 2020, taking into account the estimated market conditions of the asphalt tanker chartering services for the fourth quarter of 2020; and
- (iii) the increase in freight rate level for voyage charter for the asphalt tanker chartering services of the Group in 2020 compared with 2019, taking into account the prevailing market prices of the asphalt tanker chartering services.

The Board confirms that the Existing Annual Cap of US\$12,500,000 for the year ending 31 December 2020 has not yet been exceeded as at the date of this announcement and US\$12,270,000 out of US\$12,500,000 has been utilized as at 30 September 2020.

(2) RENEWAL OF 2021–2023 BILSEA MASTER SERVICE AGREEMENT

Background of the 2021–2023 Bilsea Master Service Agreement

The Existing Bilsea Master Service Agreement will expire on 31 December 2020. As the Company intends to continue the transactions contemplated thereunder, on 28 October 2020, Shun Yuen HK entered into the 2021–2023 Bilsea Master Service Agreement with Bilsea International based on substantially the same terms and conditions as the Existing Bilsea Master Service Agreement.

Key Terms of the 2021–2023 Bilsea Master Service Agreement

(a) Date

28 October 2020

(b) Parties

(i) Shun Yuen HK (as service provider)

(ii) Bilsea International (as purchaser)

(c) Subject Matter

Shun Yuen HK agreed to provide asphalt tanker chartering services to Bilsea International and/or its subsidiaries for the three years ending 31 December 2023.

(d) 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 Bilsea International under the 2021–2023 Bilsea 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 and the Proposed Annual Caps for the provision of asphalt tanker chartering services by Shun Yuen HK to Bilsea International under the 2021–2023 Bilsea Master Service Agreement:

	For the year ended 31 December 2018 (US\$'000) (audited)	For the year ended 31 December 2019 (US\$'000) (audited)	For the nine months ended 30 September 2020 (US\$'000) (unaudited)
Historical transaction amounts under the Existing Bilsea Master Service Agreement	10,300	12,200	12,270
	For the year ending 31 December 2021 (US\$'000)	For the year ending 31 December 2022 (US\$'000)	For the year ending 31 December 2023 (US\$'000)
Proposed Annual Caps under the 2021–2023 Bilsea Master Service Agreement	22,500	28,500	34,500

In arriving at the Proposed Annual Caps for the provision of asphalt tanker chartering services by Shun Yuen HK to Bilsea International under the 2021–2023 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 nine months ended 30 September 2020;
- (ii) the estimated future needs of asphalt tanker chartering services of Bilsea International for the years ending 31 December 2021, 2022 and 2023, 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 2023; 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 gradual control of the coronavirus disease (COVID-19) in 2020.

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 INCREASING THE ANNUAL CAP OF EXISTING BILSEA MASTER SERVICE AGREEMENT AND RENEWAL OF 2021–2023 BILSEA MASTER SERVICE AGREEMENT

The Directors have been carefully monitoring the historical transaction amounts of and the estimated demand for the continuing connected transactions of the Group. With the increasing demand for the asphalt tanker chartering services and the increase in freight rate level for voyage charter for the asphalt tanker chartering services of the Group in 2020, thereby leading to an increase in the expected transaction amounts for the provision of asphalt tanker chartering services by Shun Yuen HK to Bilsea International under the Existing Bilsea Master Service Agreement, the Board anticipates that the Existing Annual Cap would not be sufficient to meet the expected transaction amounts for the provision of asphalt tanker chartering services by Shun Yuen HK to Bilsea International. Accordingly, the Board proposes to revise the Existing Annual Cap in order to satisfy the daily operational needs.

Moreover, taking into account that the Group has already provided asphalt tanker chartering services to Bilsea International in the past and that 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 2021–2023 Bilsea Master Service Agreement to Bilsea International.

The Directors (including the independent non-executive Directors) consider that:

- (i) the transactions contemplated under the Existing Bilsea Master Service Agreement have been conducted and will continue to 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 Existing Bilsea Master Service Agreement and the Proposed Revised Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (ii) the transactions contemplated under the 2021–2023 Bilsea Master Service Agreement 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 2021–2023 Bilsea Master Service Agreement and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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 under each of the Existing Bilsea Master Service Agreement and the 2021–2023 Bilsea Master Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In relation to the revision of the Existing Annual Cap, pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the applicable requirements 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; and (iii) the Board has approved the Continuing Connected Transactions and 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 for the provision of asphalt tanker chartering services by Shun Yuen HK to Bilsea International under each of the Continuing Connected Transactions, (i) as the asphalt tankers chartering contracts are not operating leases; and (ii) the provision of asphalt tanker chartering services is of a revenue nature in the ordinary and usual course of business of the Company, the Board is of the view that each of the Continuing Connected Transactions does not constitute a notifiable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules.

None of the Directors has any material interest in the Continuing Connected Transactions and none of them has abstained 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
“Company”	Xin Yuan Enterprises Group Limited (信源企業集團有限公司), 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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Existing Bilsea Master Service Agreement (including the proposed revision of the Existing Annual Cap) and the 2021–2023 Bilsea Master Service Agreement
“Director(s)”	director(s) of the Company
“Existing Annual Cap”	the annual cap for the total amount of the continuing connected transactions under the Existing Bilsea Master Service Agreement for the year ending 31 December 2020 as disclosed in the section headed “Continuing Connected Transactions” of the Prospectus
“Existing Bilsea Master Service Agreement”	the master service agreement dated 6 September 2018 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 2020
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	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 Cap(s)”	the respective proposed annual caps for the total amount of the continuing connected transactions under the 2021–2023 Bilsea Master Service Agreement for each of the three years ending 31 December 2023
“Proposed Revised Annual Cap”	the proposed revised annual cap for the total amount of the continuing connected transactions under the Existing Bilsea Master Service Agreement for the year ending 31 December 2020
“Prospectus”	the prospectus of the Company dated 11 September 2018
“Share(s)”	the ordinary shares of US\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“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 dollars, the lawful currency of the United States of America

“2021–2023 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 with a term of three years ending 31 December 2023

“%” per cent

By order of the Board
XIN YUAN ENTERPRISES GROUP LIMITED
Wang Faqing
Chairman

Hong Kong, 28 October 2020

As at the date of this announcement, Mr. Wang Faqing, Mr. Xu Wenjun and Mr. Ding Yuzhao are the executive Directors, and Mr. Lai Guanrong, Mr. Suen Chi Wai and Mr. Xu Jie are the independent non-executive Directors.