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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 LOTSTELLA

THE SALE AND LEASEBACK (JULY 2024)

Further to the discloseable transaction in relation to the Sale and Leaseback (December 2023) as announced on 15 December 2023, the Board hereby announces that on 16 July 2024, Charterer II, an indirect wholly-owned subsidiary of the Company, entered into: (1) the Memorandum of Agreement II with Owner II, pursuant to which Owner II agreed to purchase and Charterer II agreed to sell Vessel II subject to the terms and conditions therein; and (2) the Bareboat Charter Agreement II with Owner II in relation to the bareboat chartering of Vessel II. Under the Bareboat Charter Agreement II, Charterer II leases back Vessel II from Owner II and also has the Purchase Option to purchase Vessel II from Owner II, and if the Purchase Option is not exercised, Charterer II has the Purchase Obligation at the end of the Charter Period to purchase Vessel II from Owner II subject to the conditions contained therein.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, the Sale and Leaseback (July 2024) and the Sale and Leaseback (December 2023) shall be aggregated as if they were one transaction since the Sale and Leaseback (July 2024) was conducted by the Group with the subsidiaries of Avic Leasing (i.e. with the same party) within 12 months of the Sale and Leaseback (December 2023).

As one or more applicable percentage ratios (as defined in the Listing Rules), whether on standalone basis or when aggregated with the Sale and Leaseback (December 2023), exceed 5% but are less than 25%, the entering into of the Memorandum of Agreement II and the Bareboat Charter Agreement II 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

Further to the discloseable transaction in relation to the Sale and Leaseback (December 2023) as announced on 15 December 2023, the Board hereby announces that on 16 July 2024, Charterer II, an indirect wholly-owned subsidiary of the Company, entered into: (1) the Memorandum of Agreement II with Owner II, pursuant to which Owner II agreed to purchase and Charterer II agreed to sell Vessel II subject to the terms and conditions therein; and (2) the Bareboat Charter Agreement II with Owner II in relation to the bareboat chartering of Vessel II. Under the Bareboat Charter Agreement II, Charterer II leases back Vessel II from Owner II and also has the Purchase Option to purchase Vessel II from Owner II, and if the Purchase Option is not exercised, Charterer II has the Purchase Obligation at the end of the Charter Period to purchase Vessel II from Owner II subject to the conditions contained therein.

DETAILS OF THE MEMORANDUM OF AGREEMENT II AND THE BAREBOAT CHARTER AGREEMENT II

Date

16 July 2024

Parties

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

Subject Matter

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

Consideration

Pursuant to the Memorandum of Agreement II, the purchase price of Vessel II is US\$16,000,000 (the “**Purchase Price**”) and shall be settled by Owner II through telegraphic transfer, net of the Advance Hire (as defined below) and the Deposit (as defined below) paid by Charterer II under the Bareboat Charter Agreement II. The Purchase Price was determined (i) by reference to the fair value of Vessel II, being US\$16,000,000, based on the valuation of the market value of Vessel II as at 4 July 2024 as 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 Vessel II, 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 Vessel II 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 84 months commencing from the Actual Delivery Date.

Deposit

Charterer II shall pay a cash deposit in an amount equal to US\$60,000 (the “**Deposit**”) to Owner II before the Actual Delivery Date pursuant to the Bareboat Charter Agreement II.

Charter Hire

The charter hire, being all and any hire for use of Vessel II payable by Charterer II, for each Hire Period (each, a “**Charter Hire**”) shall be paid on the last day of the relevant Hire Period (each, a “**Hire Payment Date**”), except for the Advance Hire (as defined below), and shall consist of:

- (i) an advance hire: an amount equals to the difference between the Purchase Price and the Finance Principal (the “**Advance Hire**”) payable on the Actual Delivery Date;
- (ii) a fixed hire: an amount equals to one twenty-eighth (1/28) of the difference between the Finance Principal minus the Balloon, to be paid on each and every Hire Payment Date (the “**Fixed Hire**”);
- (iii) a variable hire: an amount calculated by multiplying (a) the Purchase Price as may be reduced by payment of the Advance Hire, the Fixed Hire and the Balloon (where applicable) (the “**Cost Balance**”) immediately prior to the relevant Hire Payment Date (in respect of the first Hire Payment Date, the Finance Principal); (b) the aggregate of the margin of 2.75% per annum and the Applicable Rate (as defined in the Bareboat Charter Agreement II); and (c) a fraction whose denominator is 360 and numerator is the number of days actually elapsed during the relevant Hire Period; and
- (iv) the Balloon.

Purchase Option

At any date after the second anniversary of the Actual Delivery Date (inclusive) and before the last day of the Charter Period (exclusive) and with at least 90 days’ written notice, Charterer II has the option to purchase Vessel II by the payment to Owner II of the relevant outstanding Finance Principal plus other sums due and payable but being unpaid under the Bareboat Charter Agreement II plus the prepayment fee at the applicable purchase date subject to the conditions set out in the Bareboat Charter Agreement II.

Purchase Obligation

Unless Charterer II has exercised the Purchase Option, Charterer II shall, upon the expiry date of the Charter Period, purchase Vessel II from Owner II in the amount of US\$100 together with all unpaid sums, the Cost Balance, documented costs and expenses incurred by Owner II and break cost (if any) subject to the conditions set out in the Bareboat Charter Agreement II.

OTHER DOCUMENTS

In connection with the transactions contemplated under the Memorandum of Agreement II and the Bareboat Charter Agreement II, the following documents (collectively, the “**Other Documents**”), among others, will be entered into on the Actual Delivery Date, except that the Deed of Charge (as defined below) and the Deed of Accession (as defined below), which have been entered into on 16 July 2024 and 15 December 2023, respectively:

- (i) a deed of charge (the “**Deed of Charge**”) over the shares of Charterer II executed by Shun Yuen Group (Hong Kong) Limited, a company incorporated under the laws of Hong Kong, in favour of Good Trend Shipping Limited, a company incorporated under the laws of Hong Kong (the “**Trustee**”);
- (ii) a deed of assignment executed by Charterer II in favour of the Trustee, in relation to certain of Charterer II’s rights and interest in and to, among others, the earnings, insurances, requisition compensation and any sub-charter in respect of Vessel II;
- (iii) a commercial manager’s undertaking executed by Fujian Xinyuanxinlanhai Import and Export Trade Co., Ltd. (福建信源新藍海進出口貿易有限公司), a company incorporated under the laws of the People’s Republic of China, in favour of the Trustee; and
- (iv) a deed of accession (the “**Deed of Accession**”) in respect of the security trust deed dated 2 March 2021 as supplemented by a deed of accession dated 5 May 2022 (under which the Trustee was appointed to hold certain property on trust, as set out in the announcements of the Company dated 24 May 2021, 5 May 2022 and 15 December 2023) executed by, among others, Owner II and Charterer II.

GUARANTEE

The Company, as the parent company of Charterer II, has entered into a deed of guarantee in favour of Owner II on 16 July 2024 (the “**Guarantee**”) in respect of, among others:

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

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

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

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

INFORMATION ON THE COMPANY AND THE PARTIES

The Company and the Charterer II

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

Owner II

Owner II is Bright Lostella Shipping Limited, which is indirectly wholly-owned by Avic International Leasing Co., Ltd (中航國際租賃有限公司) (“**Avic Leasing**”). Avic Leasing is principally engaged in, among others, the finance lease business. Avic Leasing is an indirectly non-wholly owned subsidiary of Avic Industry-Finance Holdings Co.,Ltd. (中航工業產融控股股份有限公司) (previously known as Avic Capital Co., Ltd (中航資本控股股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600705).

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

Vessel II

Vessel II is an asphalt carrier/oil tanker with a gross deadweight tonnage of 7,988, built in 2018. As at 31 December 2023, the net asset book value of Vessel II was approximately US\$15.6 million. The net profit attributable to Vessel II for each of the two financial years ended 31 December 2022 and 31 December 2023 are set out below:

	For the year ended 31 December 2022 (audited) US\$'000	For the year ended 31 December 2023 (audited) US\$'000
Net profit before taxation	1,800	2,970
Net profit after taxation	1,800	2,970

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, the Sale and Leaseback (July 2024) and the Sale and Leaseback (December 2023) as announced previously shall be aggregated as if they were one transaction since they were conducted by the Group with the subsidiaries of Avic Leasing (i.e. with the same party) within a 12-month period. As one or more applicable percentage ratios (as defined in the Listing Rules) exceed 5% but are less than 25%, and that the Sale and Leaseback (July 2024) and the Sale and Leaseback (December 2023) constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to of the reporting and the publication of announcement requirement under the Listing Rules but are exempt from the shareholders' approval requirement.

DEFINITIONS

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

“Actual Delivery Date”	the date of delivery of Vessel II by Owner II to Charterer II under the Bareboat Charter Agreement II
“Balloon”	the amount which does not exceed the lower of (a) US\$2,000,000; or (b) 12.5% of the market value of the Vessel as provided in the Valuation Report, payable by Charterer II to Owner II on the expiry date of the Charter Period, subject to the conditions set out in the Bareboat Charter Agreement II
“Bareboat Charter Agreement II”	the bareboat charter agreement dated 16 July 2024 entered into between Charterer II (as charterer) and Owner II (as owner) in relation to the bareboat chartering of Vessel II, together with its additional clauses
“Board”	the board of directors of the Company

“Charter Period”	the period of 84 months commencing from the Actual Delivery Date
“Charterer II”	Lotstella Shipping (Hongkong) Limited (荷花星船務(香港)有限公司) (company number: 67870808), 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, 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
“Director(s)”	the director(s) of the Company
“Finance Principal”	the amount which is the lower of (a) US\$12,000,000; or (b) 75% of the market value of Vessel II as provided in the Valuation Report
“Group”	the Company and its subsidiaries
“Hire Period”	each and every three-month period during the Charter Period with the first Hire Period commenced on the Actual Delivery Date 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 II”	the memorandum of agreement dated 16 July 2024 entered between Charterer II and Owner II in relation to the sale and purchase of Vessel II
“Owner II”	Bright Lostella Shipping Limited, a company incorporated under the laws of the Republic of Liberia and indirectly wholly-owned by Avic International Leasing Co., Ltd (中航國際租賃有限公司)
“Purchase Obligation”	the purchase obligation as set out under the section headed “ <i>Details of the Memorandum of Agreement II and the Bareboat Charter Agreement II — 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 II and the Bareboat Charter Agreement II — Purchase Option</i> ” in this announcement
“Sale and Leaseback (December 2023)”	the sale and leaseback financing arrangement of Baustella dated 15 December 2023, as set out in the announcement of the Company dated 15 December 2023
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Documents”	the Memorandum of Agreement II, the Bareboat Charter Agreement II, the Guarantee, the Other Documents and such other documents as may be designated as agreed by Owner II and Charterer II from time to time
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Valuation Report”	the valuation report dated 4 July 2024 prepared by an independent valuer adopting the market approach in respect of the market value of Vessel II as at 4 July 2024
“Vessel II”	Lotstella with IMO No. 9832121
“%”	per-cent

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

Hong Kong, 16 July 2024

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