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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)**

### **SUBSCRIPTIONS OF NEW SHARES UNDER GENERAL MANDATE**

#### **SUBSCRIPTIONS OF NEW SHARES**

On 19 May 2020, the Company entered into the Subscription Agreements with each of the Subscribers respectively. Pursuant to the Subscription Agreements, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, an aggregate of 40,000,000 Subscription Shares at the Subscription Price of HK\$1.092 per Subscription Share for an aggregate cash consideration of HK\$43,680,000 (equivalent to approximately US\$5,628,866).

The Subscription Shares represent 10% of the existing issued share capital of the Company as at the date of this announcement and approximately 9.09% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there are no other changes in the share capital of the Company between the date of the Subscription Agreements and the date of Completion).

The aggregate gross proceeds from the Subscriptions will amount to HK\$43,680,000 (equivalent to approximately US\$5,628,866) and the aggregate net proceeds, after deduction of the related expenses, will be approximately HK\$43,280,000 (equivalent to approximately US\$5,577,320), representing a net Subscription Price of approximately HK\$1.082 per Subscription Share. The Company intends to apply the net proceeds from the Subscriptions in the manner set out in the paragraph headed “Reasons for the Subscriptions and Use of Proceeds” in this announcement.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, each of the Subscribers and their ultimate beneficial owners are third parties independent of the Company and its connected persons. The Subscription Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM, and the issue of the Subscription Shares will not be subject to the approval by the Shareholders. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Agreements are not inter-conditional upon each other.

**As Completion of each of the Subscriptions is subject to the satisfaction of the Conditions Precedent as set out in the Subscription Agreements, the Subscriptions may or may not proceed. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.**

## **THE SUBSCRIPTION AGREEMENTS**

On 19 May 2020, the Company entered into the Subscription Agreements with each of the Subscribers respectively. Pursuant to the Subscription Agreements, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, an aggregate of 40,000,000 Subscription Shares at the Subscription Price of HK\$1.092 per Subscription Share for an aggregate consideration of HK\$43,680,000 (equivalent to approximately US\$5,628,866). Save for the number of Subscription Shares and the consideration to be paid by the Subscribers respectively, the terms of the Subscription Agreements are identical. The salient terms of the Subscription Agreements are set out as follows:

### **PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENTS**

#### **Date**

19 May 2020

#### **Parties to the Subscription Agreement A**

- (i) the Company; and
- (ii) Subscriber A

#### **Parties to the Subscription Agreement B**

- (i) the Company; and
- (ii) Subscriber B

## **The Subscriptions**

Pursuant to the Subscription Agreement A, the Company conditionally agreed to issue (pursuant to the General Mandate), and the Subscriber A conditionally agreed to subscribe for, 24,000,000 Subscription Shares at the Subscription Price for each Subscription Share. The cash consideration payable by Subscriber A shall be HK\$26,208,000 (equivalent to approximately US\$3,377,320) to be payable in full on or before the date of the Completion.

Pursuant to the Subscription Agreement B, the Company conditionally agreed to issue (pursuant to the General Mandate), and the Subscriber B conditionally agreed to subscribe for, 16,000,000 Subscription Shares at the Subscription Price for each Subscription Share. The cash consideration payable by Subscriber B shall be HK\$17,472,000 (equivalent to approximately US\$2,251,546) to be payable in full on or before the date of the Completion.

## **The Subscription Shares**

The total number of Subscription Shares is 40,000,000 Shares, which represents 10% of the existing issued share capital of the Company as at the date of this announcement and approximately 9.09% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there are no other changes in the share capital of the Company between the date of the Subscription Agreements and the date of the Completion).

The aggregate nominal value of the Subscription Shares is US\$400,000.

## **The Subscription Price**

The Subscription Price of HK\$1.092 per Subscription Share, representing:

- (i) a discount of approximately 0.73% to the closing price of HK\$1.100 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements; and
- (ii) the average closing price of approximately HK\$1.092 per Share quoted on the Stock Exchange for the five consecutive trading days of Shares immediately prior to the date of the Subscription Agreement.

The net Subscription Price, after deduction of relevant expenses, is estimated to be approximately HK\$1.082 per Subscription Share. The cash consideration of HK\$26,208,000 (equivalent to approximately US\$3,377,320) under the Subscription Agreement A and HK\$17,472,000 (equivalent to approximately US\$2,251,546) under the Subscription Agreement B are payable in cash in HKD or equivalent USD by the Subscribers respectively on or before the Completion. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers taking into account the prevailing market price of the Shares, the Group's historical performances and present financial position as well as current market condition. The Board considers that the Subscription Price is fair and reasonable in light of the prevailing market conditions and the recent price performance and liquidity of the Shares.

## **Ranking**

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects with Shares in issue at the time of allotment and issue of the Subscription Shares.

## **Conditions Precedent**

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

- (i) 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 Agreements or reasons arising from thereof;
- (ii) the Company having obtained all approvals and consents (if any) in relation to the Subscriptions and the transaction contemplated thereunder; and
- (iii) 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.

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

The Subscription Agreements are not inter-conditional upon each other.

## **Completion**

Completion of the Subscriptions shall take place within the fifth (5) Business Days after fulfilment of the Conditions Precedent or any other date as agreed by the parties to the Subscription Agreements in writing.

On or before the date of the Completion, each of Subscriber A and Subscriber B shall pay to the Company HK\$26,208,000 (equivalent to approximately US\$3,377,320) under the Subscription Agreement A and HK\$17,472,000 (equivalent to approximately US\$2,251,546) under the Subscription Agreement B, respectively, in cash in HKD or equivalent USD for the subscription of the Subscription Shares.

## **Termination**

The Subscribers are entitled to terminate the Subscription Agreements by notice in writing to the Company upon the occurrence of any of the force majeure events set out in the Subscription Agreements at any time between the date of the Subscription Agreements and the date of the Completion. The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

## **General Mandate to Issue Subscription Shares**

The issue of the Subscription Shares will not be subject to the approval by the Shareholders and the Subscription Shares will be issued under the General Mandate granted to the Directors at the AGM. Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to issue is 80,000,000 Shares, representing 20% of the total number of Shares in issue as at the date of the AGM. Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate.

## **APPLICATION FOR LISTING**

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

## **INFORMATION OF THE COMPANY AND THE SUBSCRIBERS**

The Company is a company incorporated under the laws of the Cayman Islands with limited liability and the issued Shares of which are listed on the 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.

Subscriber A is a company incorporated in Hong Kong with limited liability which primarily engages in investment holding and is wholly-owned by Mr. Chen. As at the date of this announcement, Subscriber A is not interested in any Shares.

Subscriber B is a company incorporated in Hong Kong with limited liability which primarily engages in investment holding and is wholly-owned by Mr. Lin. As at the date of this announcement, Subscriber B is not interested in any Shares.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, each of the Subscribers and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS**

The outbreak of the COVID-19 has caused severe repercussions for economies across the world, in particular to the aviation and logistic industries. Due to the ongoing widespread of the pandemic, it is difficult for the Company to assess the extent of impact on its business operation and financial performance at this stage. Accordingly, the Directors consider that it

is prudent for the Company to broaden its capital base and reserve more cash in response to any contingencies brought by the COVID-19 in the near future. In addition, the Subscriptions by the two Subscribers, which are held by the senior managements of the Company, also reflects the confidence and commitment of the senior managements of the Company towards the long-term and sustainable growth of the Group, and the continuing support of the senior managements of the Company would be beneficial to the long-term business development of the Group. Based on the aforesaid, the Board is of the view that the terms of the Subscription Agreements and the transactions contemplated thereunder are on normal commercial terms agreed upon after arm's length negotiations between the parties, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The aggregate gross proceeds of the Subscriptions will amount to HK\$43,680,000 (equivalent to approximately US\$5,628,866) and the aggregate net proceeds, after the deduction of the related expenses, will be approximately HK\$43,280,000 (equivalent to approximately US\$5,577,320), representing a net Subscription Price of approximately HK\$1.082 per Subscription Share. The Company intends to use the net proceeds from the Subscriptions for general working capital of the Group.

However, the proceeds from the Subscriptions are not sufficient to satisfy the financing needs of the Company in full. Hence, the Board does not rule out the possibility that the Company will conduct further debt and/or equity fund raising exercises when suitable fund raising opportunities, including but not limited to financing from the then shareholders of the Company or other third-party sources, arise in order to support future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

#### **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT**

The Company has not conducted any capital raising activity in the 12 months immediately before the date of this announcement.

## SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 400,000,000 Shares in issue. The shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately upon the Completion (assuming that there is no other change in the issued share capital of the Company from the date of this announcement and up to the date of Completion), are summarised as follows:

	As at the date of this announcement		Immediately following the Completion	
	Number of Shares	Approximate shareholding percentage %	Number of Shares	Approximate shareholding percentage %
<b>Substantial Shareholders</b>				
Fortune Harvest Materials Hongkong Limited	116,000,000	29.00	116,000,000	26.36
Well Grace Trading Co., Limited	49,000,000	12.25	49,000,000	11.14
<b>Directors</b>				
Mr. Xu Wenjun (Note 1)	29,200,000	7.30	29,200,000	6.64
Mr. Ding Yuzhao (Note 2)	12,800,000	3.20	12,800,000	2.91
<b>Subscribers</b>				
Subscriber A	—	—	24,000,000	5.45
Subscriber B	—	—	16,000,000	3.64
<b>Public</b>				
Other public shareholders	<u>193,000,000</u>	<u>48.25</u>	<u>193,000,000</u>	<u>43.86</u>
<b>Total:</b>	<u>400,000,000</u>	<u>100</u>	<u>440,000,000</u>	<u>100</u>

Notes:

1. Mr. Xu Wenjun, an executive Director, is deemed to be interested in 29,200,000 Shares, which are held by Perfect Bliss Limited, a company wholly-owned by Mr. Xu as at the date of this announcement.
2. Mr. Ding Yuzhao, an executive Director, is deemed to be interested in 12,800,000 Shares, which are held by Gigantic Path Limited, a company wholly-owned by Mr. Ding as at the date of this announcement.

**As Completion of each of the Subscriptions is subject to the satisfaction of the Conditions Precedent as set out in the Subscription Agreements, the Subscriptions may or may not proceed. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

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

“AGM”	the annual general meeting of the Company held on 21 June 2019 at which, among other things, the General Mandate was granted to the Directors;
“Board”	the board of Directors;
“Business Day”	a day (excluding Saturday) on which banks in Hong Kong are generally open for business throughout their normal business hours;
“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 Subscriptions pursuant to the Subscription Agreements;
“Conditions Precedent”	the conditions precedent in respect of the Completion set out in the Subscription Agreements;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“General Mandate”	the general mandate granted to the Directors by a resolution passed at the AGM to allot, issue or otherwise deal with Shares up to a maximum of 20% of the total number of the issued Shares of the Company as at 21 June 2019;
“Group”	the Company together with 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 PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 December 2020 (or such other date as may be agreed to by the Subscribers and the Company);



“Mr. Chen”	Mr. Chen Chengmei (陳成梅), the vice president of the Company;
“Mr. Lin”	Mr. Lin Shifeng (林世鋒), the financial controller of the Group;
“PRC”	the People’s Republic of China, and for the sole purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	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 A”	Forever Win Asia Trading Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Chen as at the date of this announcement;
“Subscriber B”	Profit Source HK Trading Limited (廣源香港貿易有限公司), a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Lin as at the date of this announcement;
“Subscribers”	collectively, Subscriber A and Subscriber B;
“Subscription(s)”	the respective subscription(s) of the Subscription Shares by the Subscribers pursuant to the Subscription Agreements;
“Subscription Agreement A”	the conditional subscription agreement dated 19 May 2020 between the Company and Subscriber A in relation to the subscription of 24,000,000 Subscription Shares;
“Subscription Agreement B”	the conditional subscription agreement dated 19 May 2020 between the Company and Subscriber B in relation to the subscription of 16,000,000 Subscription Shares;
“Subscription Agreements”	collectively, the Subscription Agreement A and the Subscription Agreement B;
“Subscription Price”	the subscription price of HK\$1.092 per Subscription Share;
“Subscription Share(s)”	the 24,000,000 new and fully paid Shares to be subscribed for by Subscriber A and the 16,000,000 new and fully paid Shares to be subscribed for by Subscriber B;

“US\$” or “USD” United States dollars, the lawful currency of the United States of America; and

“%” per cent.

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

Hong Kong, 19 May 2020

*For the purpose of this announcement, unless otherwise indicated, conversions of US\$ into HK\$ is calculated at the approximate exchange rate of US\$1.00 to HK\$7.76. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.*

*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.*