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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)

**(1) CERTAIN ALLEGATIONS AGAINST
THE COMPANY AND THE DIRECTORS**

(2) ESTABLISHMENT OF A SPECIAL INVESTIGATION COMMITTEE

**(3) APPOINTMENT OF AN INVESTIGATIVE BODY AND AN
INDEPENDENT LEGAL ADVISER**

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**”).

ALLEGATIONS

The board (the “**Board**”) of directors (the “**Director(s)**”), in advancing its special verification in recent days, has paid particular attention to the previous correspondence purportedly issued in the name of two shareholders (namely, Well Grace Trading Co., Limited* (華欣貿易有限公司) and HJ Technology Co., Limited* (華景科技有限公司)) addressed to the Company, the Board and the Directors containing complaints and allegations against the Company and certain materials relating to such allegations.

The key matters referred to in the complaints, the allegations and the accompanying information include, but are not limited to, the following:

(I) In Relation to the SFO

During 2019 to 2023, Ding Xiaoli, Xu Wenjun and Ding Yuzhao (the transferors) and Chen Maochun (the transferee) entered into the acquisition agreement and certain supplemental agreements, pursuant to which 65% of the shares in the Company were transferred to Chen Maochun or to account(s) designated by Chen Maochun in accordance with the agreements.

On 8 October 2022, Chen Ming (on behalf of Chen Maochun) signed the shareholders' confirmation with the transferors in the hope of utilizing the relevant borrowings of the Company to continue to pay the consideration owed to the transferors for the acquired shares.

As Chen Maochun (the transferee) ceased to pay the outstanding stock transfer payments to the transferors, the transferors and Chen Maochun (the transferee) entered into the supplemental agreement, pursuant to which, Chen Maochun agreed to return 77,662,800 shares of the Company to the transferors (of which, Ding Xiaoli: 32,506,971 shares, Xu Wenjun: 31,579,200 shares, Ding Yuzhao: 13,576,686 shares). After such return, Chen Maochun appeared to beneficially own and control 182,337,200 shares, representing approximately 41.44% of the total share capital, which was still more than 30%.

The Company has preliminarily consulted its lawyers that if the transactions are substantiated and such transactions not having been disclosed to the Securities and Futures Commission, the Stock Exchange and the market, Chen Maochun (the transferee) and the transferors may be in breach of the Hong Kong Codes on Takeovers and Mergers and other laws and regulations.

(II) Off-Balance Sheet Borrowings and Misappropriation of Company Funds

In October 2019, the Company borrowed RMB12 million from Xinghua Fortune Group Co., Ltd.* (興華財富集團有限公司) (“**Xinghua Fortune**”).

On 11 November 2019, the Company borrowed RMB200 million from Jishan Mingfu Steel Company* (稷山縣銘福鋼鐵公司) (“**Mingfu Steel**”) with Xinghua Fortune as the guarantor.

The borrowings were utilized as follows:

Item	Amount <i>(RMB ten thousand)</i>
(1) Borrowings directly attributable to Xinghua Fortune	5,000
(2) Payment from Xinghua Fortune to the transferors as consideration for the acquisition of the Company's shares	7,119
(3) Subscription for 40 million ordinary shares of the Company under general mandate disclosed on 19 May 2020 through the personal companies of Chen Chengmei and Lin Shifeng	4,006
(4) Expenses for maintaining market capitalization	2,166
(5) Payment of interest on borrowings from Xinghua Fortune and Mingfu Steel	1,384
(6) Others	<u>1,525</u>
Total	<u><u>21,200</u></u>

If the allegations are substantiated, the two borrowings totaling RMB212 million (the “**Off-Balance Sheet Borrowings**”) have never been reflected in the Company’s financial statements, resulting in significant off-balance sheet liabilities and implicitly exposing the Company to significant debt risk. It is also possible that the use of the certain portion of the funds may not be for the purposes of the Company.

(III) Complaints of serious fraud, significant issues on insider control and corruption, including the private placement of 40,000,000 shares of the Company conducted by the Company disclosed in May 2020, which was financed by the Company and two senior management were designated to hold such shares on behalf of the Company, etc.

The Company has preliminarily consulted its lawyers that the above matters in the complaint letter and the special verification, if substantiated, reflect that the Company’s executives, shareholders and senior management are suspected to have committed misappropriation of company funds, financial fraud and false statements. As at the date of this announcement, the Company has not been able to confirm the truth, accuracy and substance of the allegations.

ESTABLISHMENT OF A SPECIAL INVESTIGATION COMMITTEE

Having considered the seriousness of the allegations and the necessity to conduct a formal investigation into the authenticity of the allegations in order to safeguard the interests of the Company and its shareholders, the Board resolved at its meeting on 20 February 2025 to establish a special investigation committee (the “**Special Committee**”) initially comprising all the independent non-executive directors, namely Mr. Wei Shusong (as chairman), Mr. Xu Jie and Dr. Chen Siru, to, among other things, investigate into the allegations and to report to the Board on their findings and conclusions in respect of the allegations. The Special Committee may also appoint professional advisers to assist in its investigation as it considers appropriate and necessary. For the avoidance of doubt, pending the findings of the Special Committee in respect of the allegations, the Board has not formed any opinion as to the truth, accuracy and substance of any of the allegations and/or the opinions on the executives.

APPOINTMENT OF AN INVESTIGATIVE BODY AND AN INDEPENDENT LEGAL ADVISER

The Company has appointed an investigative body specializing in forensic accounting and investigation, namely, BDO Financial Services Limited, to assist in the independent investigation of the agreements, with the consent of the Special Committee. At the same time, the Special Committee has appointed an independent third party law firm to provide guidance to the investigative body and to provide independent legal support to the Special Committee in the conduct of its investigation as and when required. The investigative body will provide an independent report on its findings to the Special Committee, which will review and report its findings, decisions and/or recommendations to the Board. As at the date of this announcement, the independent investigation is still in progress. To comply with the Listing Rules, the Company will make further announcement(s) on the progress and outcome of the investigation by the Special Committee as and when appropriate.

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, 21 February 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.

** For identification purposes only*