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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus dated 11 September 2018 (the “**Prospectus**”) relating to the public offering and listing of the shares of Xin Yuan Enterprises Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on the Main Board of The Stock Exchange of Hong Kong Limited on 26 September 2018 (the “**Global Offering**”). The board of directors (the “**Board**”) would like to announce that the Company has decided to adjust the intended use of proceeds from the Global Offering in the manner set out in this announcement to reduce the operational risk. Unless otherwise defined herein, terms in this announcement shall have the same meaning as defined in the Prospectus.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting the listing expenses, were approximately HK\$123.2 million (the “**Net Proceeds**”). It was disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus and the annual report of the Company for the year ended 31 December 2018 that the Company intended to use the Net Proceeds for the following purposes:

- approximately 90.2% of the Net Proceeds, or approximately HK\$111.1 million (equivalent to approximately US\$14.2 million), would be used for expanding the Group’s fleet by purchasing two new vessels in the next two years in order to cope with its business development, strengthen its brand name and increase its competitiveness in the industry as well as its ability to cater for different needs and requirements of different customers; and
- approximately 9.8% of the Net Proceeds, or approximately HK\$12.1 million (equivalent to approximately US\$1.5 million), would be used as the Group’s working capital.

CHANGE IN USE OF PROCEEDS

For reasons set out in the paragraph below headed “Reasons for the Change in Use of Proceeds” of this announcement, the Board resolved to change the proposed use of the Net Proceeds as follows:

	Proposed use of Net Proceeds as disclosed in the Prospectus <i>US\$'million</i>	Utilised Net Proceeds up to the date of this announcement <i>US\$'million</i>	Unutilised Net Proceeds as at the date of this announcement <i>US\$'million</i>	Proposed change of use of Net Proceeds as at the date of this announcement <i>US\$'million</i>
Purchase two new vessels	14.2	—	14.2	—
Purchase one secondhand Capesize vessel	—	—	—	14.2
Working capital	1.5	1.5	—	—

As at the date of this announcement, the Company has utilised approximately US\$1.5 million of the Net Proceeds. The Company intended to apply approximately US\$14.2 million of the Net Proceeds as part of the purchase price of approximately US\$16.5 million of the secondhand Capesize vessel. The remaining will be funded by borrowings. Please refer to the paragraph below headed “Information about the secondhand Capesize vessel” for the details of the vessel that the Company intended to purchase.

Save as the above, the Board confirms that there are no other changes to the use of Net Proceeds.

INFORMATION ABOUT THE SECONDHAND CAPE SIZE VESSEL

Details of the secondhand Capesize vessel that the Company intended to purchase are as follows:

Name:	Shinyo Diligence
Year Built:	2006
Manufacturer:	Namura Shipbuilding in Japan
Expected useful life:	10 years
Gross Tonnage/Net Tonnage:	89,726/58,801
Scrap value:	US\$9,200,000
Size:	L.O.A 288.970M L.B.P 279.00M BEAM 45M DEPTH MLD 24.4M TPC 121
Vessel Type:	Bulk carrier
Status:	Rightship 5 star
Seller:	Independent Third Party
Price:	US\$16,500,000
Daily hire for two-year time charter:	US\$14,000–14,500

REASONS FOR THE CHANGE IN USE OF PROCEEDS

The trade protectionism initiated by the U.S. government has created uncertainties to the global and regional trade. In addition, the U.S. intends to strengthen sanctions against oil export countries such as Iran and Venezuela, which will have an adverse impact on the asphalt industry which is petroleum-based. Although the Directors have faith in the long term outlook of asphalt tanker chartering industry, the Group remains mindful of the uncertainties ahead brought by the possible outbreak of conflict between the U.S. and Iran or Venezuela.

The Company originally planned to use 90.2% of the Net Proceeds from the Global Offering to purchase two new vessels in the next two years after the Listing. As it requires approximately two years to build the new vessels, the market condition may have been changed drastically by the time the vessels are built. In particular, the Sino-U.S. trade war and the sanctions against Iran and Venezuela have created uncertainties in the global asphalt tanker chartering business which may in turn lead to a decline in the market rental of vessels.

Moreover, the current market price of secondhand Capesize vessel is at a historical low point. Purchasing the secondhand Capesize vessel and entering into chartering agreement with customers could help locking in profits and combat the risks brought by escalation of trade wars and abrupt tightening of global economic conditions.

The Board (including the independent non-executive Directors) confirms that there are no material changes in the nature of business and as set out in the Prospectus and considers that the above change in the use of proceeds from the Global Offering will facilitate efficient use of the financial resources of the Company and strengthen the future development of the Company and is in the interests of the Company and its Shareholders as a whole.

By order of the Board
XIN YUAN ENTERPRISES GROUP LIMITED
Ding Xiaoli
Chairman

Hong Kong, 17 July 2019

As at the date of this announcement, Mr. Ding Xiaoli, 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.