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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xin Yuan Enterprises Group Limited (the "**Company**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively as the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 ("**years under review**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018

	Note	**2018** **US$'000**	2017 *US$'000*
Revenue	*4*	**42,716**	33,727
Cost of sales		**(28,225)**	(20,458)
Gross profit		**14,491**	13,269
Other income	*5*	**8,222**	332
Administrative expenses		**(3,864)**	(2,095)
Other operating expenses		**(7,110)**	(350)
Exchange gains/(losses), net		**343**	(1,543)
Profit from operations		**12,082**	9,613
Finance costs	*7*	**(5,469)**	(3,581)
Profit before tax		**6,613**	6,032
Income tax expense	*8*	**–**	–
Profit for the year	*9*	**6,613**	6,032
Attributable to:			
Owners of the Company		**6,613**	5,489
Non-controlling interests		**–**	543
		6,613	6,032
Earnings per share	*11*		
Basis (cents per share)		**2.02**	22.22
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018	2017
	US$'000	*US$'000*
Profit for the year	**6,613**	6,032
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(4)**	–
Other comprehensive income for the year, net of tax	**(4)**	–
Total comprehensive income for the year	**6,609**	6,032
Attributable to:		
Owners of the Company	**6,609**	5,489
Non-controlling interests	**–**	543
	6,609	6,032

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	2018 US$'000	2017 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**184,190**	157,547
Current assets			
Derivative financial instruments		**119**	–
Inventories		**949**	633
Trade receivables	*12*	**1,952**	1,101
Other receivables, deposits and prepayments		**4,199**	892
Pledged bank deposits		**1,345**	1,324
Bank and cash balances		**18,260**	2,536
Total current assets		**26,824**	6,486
TOTAL ASSETS		**211,014**	164,033
EQUITY AND LIABILITIES			
Share capital	*13*	**4,000**	530
Reserves		**95,104**	73,905
Total equity		**99,104**	74,435
LIABILITIES			
Non-current liabilities			
Bank loans		**32,101**	52,811
Finance lease payables		**56,760**	10,978
Total non-current liabilities		**88,861**	63,789
Current liabilities			
Derivative financial instruments		**167**	350
Contract liabilities		**869**	–
Bank loans		**7,330**	10,880
Finance lease payables		**11,561**	2,499
Trade payables	*14*	**1,473**	1,050
Other payables and accruals		**1,649**	10,440
Advance from related companies		**–**	590
Total current liabilities		**23,049**	25,809
TOTAL EQUITY AND LIABILITIES		**211,014**	164,033

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law of the Cayman Islands on 28 June 2016. The address of its registered office is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. The address of its principal place of business in Hong Kong is 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

On 26 September 2018 (the "Listing Date"), the Company's shares were listed (the "Listing") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group are principally engaged in provision of asphalt tanker chartering services (the "Listing Business").

In the opinion of the directors of the Company, Centennial Best Limited ("Centennial Best"), a company incorporated in the British Virgin Islands, is the ultimate parent of the Company. Mr. Ding Xiao Li, Mr. Xu Wen Jun and Mr. Ding Yu Zhao are the ultimate controlling parties of the Company (the "Controlling Shareholders").

2. GROUP REORGANISATION AND BASIS OF PREPARATION

Prior to the incorporation of the Company and the completion of the reorganisation for the purpose of the Listing (the "Reorganisation"), the Listing Business was carried out by companies now comprising the Group (collectively the "Operating Companies") which were controlled by the Controlling Shareholders.

Immediately prior to and after the Reorganisation, the Listing Business was and continues to be held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Listing Business were transferred to and held by the Company through Virtue Glory Holdings Limited. The Reorganisation was completed on 19 December 2017 and thereafter, the Company became the holding company of the Group.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"), and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ("FVTPL"); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

(b) *Measurement*

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Change in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

(c) *Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The following table explains the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39	Carrying amount under HKFRS 9
			US$'000	*US$'000*
Current financial assets				
Trade receivables	Loans and receivables	Amortised cost	1,101	1,101
Other receivables and deposits	Loans and receivables	Amortised cost	470	470
Due from ultimate parent	Loans and receivables	Amortised cost	10	10
Cash and cash equivalents	Loans and receivables	Amortised cost	3,860	3,860
Non-current financial liabilities				
Bank loans	Amortised cost	Amortised cost	52,811	52,811
Finance lease payables	Amortised cost	Amortised cost	10,978	10,978
Current financial liabilities				
Derivative financial instruments	FVTPL	FVTPL	350	350
Bank loans	Amortised cost	Amortised cost	10,880	10,880
Finance lease payables	Amortised cost	Amortised cost	2,499	2,499
Trade payables	Amortised cost	Amortised cost	1,050	1,050
Other payables and accruals	Amortised cost	Amortised cost	9,912	9,912
Advance from related companies	Amortised cost	Amortised cost	590	590

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application.

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 January 2018.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

Before adoption of HKFRS 15, revenue from voyage charter and contract of affreightment ("CoA") is recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

HKFRS 15 does not have impact on how the Group recognises revenue from voyage charter and CoA. However, the adoption of HKFRS 15 would affect the recognition and presentation of trade receivables, contract assets and liabilities.

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

As at 31 December 2018 Consolidated statement of financial position (extract)	**Amounts reported in accordance with HKFRS 15**	**Estimated impact of the adoption of HKFRS 15**	**Hypothetical amounts under HKAS 18 and 11**
	US$'000	*US$'000*	*US$'000*
Trade receivables	1,952	(489)	1,463
Contract liabilities	(869)	869	–
Other payables and accruals	(1,649)	(380)	(2,029)

Reclassifications were made as at 1 January 2018 to be consistent with the terminology under HKFRS 15:

Previously, contract balances relating to voyage charter and CoA were presented in the statement of consolidated financial statement under "Trade receivables" or "Other payables and accruals". To reflect these changes in presentation, the Group has made the following reclassification adjustments at 1 January 2018, as a result of the adoption of HKFRS15:

Contract assets recognised in relation to voyage charter and CoA were previously presented as "Trade receivables".

Contract liabilities for progress billing recognised in relation to voyage charter and CoA were previously presented as "Other payables and accruals".

Trade receivables and corresponding contract liabilities are recognised as the Group has an unconditional right to receive consideration before the Group recognises the related revenue.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to approximately US$283,000 as at 31 December 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group has assessed that the new interpretation is not likely to have significant impact on the results and financial position of the Group.

4. REVENUE

Disaggregation of revenue from contracts with customers by services and the timing of revenue recognition for the year are as follow:

	2018	2017
	US$'000	*US$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Voyage charter and CoA, recognised over time	**19,246**	13,666
Revenue from other sources		
— Time charter	**23,470**	20,061
	42,716	33,727

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

The Group has recognised the following revenue-related contract assets:

	31 December 2018	1 January 2018	31 December 2017
	US$'000	*US$'000*	*US$'000*
Unbilled revenue — voyage charter and CoA	**–**	94	–
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade receivables"	**1,952**	1,438	1,101

Contract assets of the Group consist of unbilled amount resulting from voyage charter and CoA over time. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues invoice to the customer.

There were no significant changes in the contract assets balances during the reporting period.

The Group has recognised the following revenue-related contract liabilities:

	31 December 2018	1 January 2018	31 December 2017
	US$'000	*US$'000*	*US$'000*
Billings in advance — voyage charter and CoA	**869**	431	–

Contract liabilities of the Group arise from the advance payments made by the customer or billing involved to the customer (whichever is earlier) while underlying services are yet to be provided. Such liabilities increased as a result of more vessels operated under voyage charter and CoA.

There were no significant changes in the contract liabilities balances during the reporting period.

5. OTHER INCOME

	2018	2017
	US$'000	*US$'000*
Bank interest income	**103**	11
Compensation income	**7,550**	258
Fair value gains on derivative financial instruments	**302**	–
Gain on disposal of derivative financial instrument	**1**	–
Sundry income	**266**	63
	8,222	332

6. SEGMENT INFORMATION

Operating segment information:

The Group has one single reportable segment which was managed as a single strategic business unit that engaged in provision of asphalt tanker chartering services with similar marketing strategy. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and assessment performance is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

Geographical information:

Revenue

The Group's business is managed on a worldwide basis. The revenue generated from provision of asphalt tanker chartering services, which is carried out internationally, and the way in which costs are allocated, preclude a meaningful presentation of geographical information.

Non-current assets

As at 31 December 2017 and 2018, over 99% of the Group's non-current assets are vessels and vessels under construction.

The vessels are primarily utilised across geographical markets for shipment of liquid asphalt throughout the world. Accordingly, it is impractical to present the locations of the vessels by geographical areas and thus no segment analysis is presented.

Revenue from major customers:

	2018	2017
	US$'000	*US$'000*
Customer A	**9,925**	10,009
Customer B	**4,565**	6,365
Customer C	**10,263**	5,618
Customer D *(Note)*	**–**	5,093
Customer E	**8,316**	4,188
Customer F	**5,309**	–

Note: Revenue from Customer D represented less than 10% of the Group's revenue for the year ended 31 December 2018.

7. FINANCE COSTS

	2018	2017
	US$'000	*US$'000*
Finance leases charges	**2,878**	712
Interest rate swap expenses	**171**	211
Interest on bank and other borrowings	**2,420**	2,690
	5,469	3,613
Less: amount capitalised	**–**	(32)
	5,469	3,581

8. INCOME TAX EXPENSE

	2018	2017
	US$'000	*US$'000*
Current tax	**–**	–

During the year, the Group mainly operated in Hong Kong, PRC and Singapore. However, no provision for Hong Kong Profits Tax, PRC Corporate Income Tax and Singapore Corporate Income Tax was made since the Group had no assessable profit for the year (2017: Nil).

9. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2018	2017
	US$'000	*US$'000*
Auditors' remuneration	**158**	77
Depreciation	**7,299**	5,545
Exchange (gains)/losses, net	**(343)**	1,543
Gain on disposal of derivative financial instrument	**(1)**	–
Fair value (gains)/losses on derivative financial instruments	**(302)**	350
Listing expenses	**1,888**	374
Operating lease charges — land and buildings	**175**	171
Staff costs (including directors' emoluments)		
— Salaries, bonuses and allowances	**819**	679
— Retirement benefits scheme contributions	**119**	115
— Other benefits	**142**	120
	1,080	914

Note: For the year ended 31 December 2017, staff costs include fee reimbursement to a related company of approximately US$640,000.

10. DIVIDEND

The directors do not recommend the payment of a dividend (2017: Nil).

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following:

	2018	2017
	US$'000	*US$'000*
Earnings		
Profit for the year attributable to owners of the Company	**6,613**	5,489
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares *(Note)*	**326,575**	24,698

Note: On 19 December 2017, the Company issued and allocated shares to Centennial Best and Bilsea International Pte. Ltd. ("Bilsea International") for the purpose of loans capitalisation and exchange 30% shares of a subsidiary. Details refer to Note 13(v) and 13(vi). The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for both years has been adjusted for the effect of the capitalisation issue (Note 13(viii)).

No diluted earnings per share was presented for the year ended 31 December 2018 (2017: Nil) as there was no potential ordinary share outstanding.

12. TRADE RECEIVABLES

For time charter, the Group generally receives monthly prepayment from customers. For voyage charter, the Group generally receives full payment within five business days after completion of cargo loading. For CoA, the Group generally receives full payment within three business days after completion of cargo discharging. For demurrage claims, the balance is normally paid within 30 days after the finalisation. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, is as follows:

	2018	2017
	US$'000	*US$'000*
0 to 30 days	**1,504**	1,101
Over 30 days	**448**	–
	1,952	1,101

The carrying amounts of the Group's trade receivables are denominated in USD.

13. SHARE CAPITAL

	Note	**Number of shares**	**Amount** *US$'000*
Authorised:			
At 1 January 2017 (US$1 each)	*(i)*	50,000	50
Increase in authorised capital	*(ii)*	52,936,244	52,936
Subdivision of shares	*(iii)*	5,245,638,156	–
At 31 December 2017 and 1 January 2018 (US$0.01 each)		5,298,624,400	52,986
Increase in authorised capital	*(vii)*	4,701,375,600	47,014
At 31 December 2018 (US$0.01 each)		**10,000,000,000**	**100,000**
Issued and fully paid:			
At 1 January 2017 (US$1 each)	*(i)*	**10,000**	**10**
Subdivision of shares	*(iii)*	**990,000**	**–**
Shares issued to Golden Boomer and Gigantic Path	*(iv)*	**1,566,322**	**16**
Shares issued to Centennial Best	*(v)*	**45,651,160**	**456**
Shares issued to Bilsea International	*(vi)*	**4,768,762**	**48**
At 31 December 2017 (US$0.01 each)		**52,986,244**	**530**
Shares capitalisation	*(viii)*	**247,013,756**	**2,470**
Shares issued under the Global Offering	*(ix)*	**100,000,000**	**1,000**
At 31 December 2018 (US$0.01 each)		**400,000,000**	**4,000**

Note:

(i) The Company was incorporated as an exempted company in the Cayman Islands on 28 June 2016 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. Upon incorporation, one share was allotted as fully paid at par value to a subscriber, and was then transferred to Mr. Ding Xiao Li. On the same date, 9,999 shares were issued and allotted at par value to the Controlling Shareholders. On 22 September 2016, these 10,000 shares were transferred to Centennial Best, the ultimate parent.

(ii) On 15 December 2017, a written resolution in lieu of an extraordinary general meeting was passed to increase the authorised capital of the Company from US$50,000 divided into 50,000 ordinary shares with a par value of US$1 each to US$52,986,244 divided into 52,986,244 ordinary shares with a par value of US$1 each by the creation of US$52,936,244 divided into 52,936,244 ordinary shares with a par value of US$1 each.

(iii) On 16 December 2017, a written resolution in lieu of an extraordinary general meeting was passed to subdivide the authorised capital of the Company from 52,986,244 ordinary shares with a par value of US$1 each into 5,298,624,400 ordinary shares with a par value of US$0.01 each by the creation of 5,245,638,156 ordinary shares, and subdivide the issued capital owned by Centennial Best from 10,000 ordinary shares with a par value of US$1 each into 1,000,000 ordinary shares with a par value of US$0.01 each by the creation of 990,000 ordinary shares.

(iv) On 19 December 2017, the Company issued and allotted 97,894 shares to Golden Boomer Limited ("Golden Boomer") (controlled by Mr. Ding Xiao Li) in exchange for 357,140 shares in Xin Yuan Ocean Shipping (HK) Group Limited ("Xin Yuan Ocean"), representing approximately 0.51% of the entire issued share capital of Xin Yuan Ocean.

On the same date, the Company further issued and allotted 1,468,428 shares to Gigantic Path Limited ("Gigantic Path") (controlled by Mr. Ding Yu Zhao) in exchange for 5,357,170 shares in Xin Yuan Ocean, representing approximately 7.65% of the entire issued share capital of Xin Yuan Ocean.

(v) On 19 December 2017, the Company issued and allotted 45,651,160 shares to Centennial Best which was used to settle the debts owing to Centennial Best amounted to US$46,641,160.

(vi) On 19 December 2017, the Company issued and allotted 4,768,762 shares to Bilsea International, the then non-controlling shareholder of Bilxin Shipping Group Pte. Ltd. ("Bilxin Shipping"), in exchange for transfer of 300,000 shares in Bilxin Shipping, representing 30% of the entire issued share capital of Bilxin Shipping to Shun Yuen Group (Hong Kong) Limited ("Shun Yuen HK") on 22 December 2017. In consideration of the Company agreeing to allot and issue the said 4,768,762 shares, Bilsea International assigned to Shun Yuen HK the debt of the amount of US$7,471,220 (including advance to Bilsea International of US$6,480,000 and the amount due to Bilsea International of US$991,220) owed by Bilxin Shipping to Bilsea International on 18 December 2017.

(vii) Pursuant to the written resolutions passed by the shareholders of the Company on 6 September 2018, the authorised capital of the Company increased from US$52,986,244 divided into 5,298,624,400 ordinary shares with a par value of US$0.01 each to US$100,000,000 divided into 10,000,000,000 ordinary shares with a par value of US$0.01 each by the creation of 4,701,375,600 shares.

(viii) Pursuant to the written resolutions passed by the shareholders of the Company on 6 September 2018, conditional on share premium account of the Company being credited as a result of the Global Offering , the directors were authorised to capitalise an amount of US$2,470,138 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 247,013,756 shares for allotment and issue to the then existing shareholders in proportion to their respective shareholdings.

(ix) On 26 September 2018, the Company issued 100,000,000 new shares at HK$1.5 (equivalent to US$0.1918) each in relation to the Global Offering. The premium on the issue of shares, amounting to approximately US$17,060,000, net of listing-related expenses of approximately US$1,120,000 was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

14. TRADE PAYABLES

The ageing analysis of trade payables, based on the invoice date, is as follows:

	2018	2017
	US$'000	*US$'000*
0 to 30 days	**1,473**	920
31 to 60 days	**–**	27
Over 60 days	**–**	103
	1,473	1,050

The carrying amounts of the Group's trade payables are denominated in USD.

15. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follow:

	2018	2017
	US$'000	*US$'000*
Property, plant and equipment contracted but not provided for	**–**	30,600

BUSINESS REVIEW AND OUTLOOK

Our Group principally provides asphalt tanker chartering services under various types of charter agreement comprising: (i) time charters; and (ii) voyage charters and contracts of Affreightment ("**CoAs**"). During the year ended 31 December 2018, our Group was expanding our fleet that three new vessels, namely Baustella, Jastella and Lotstella were delivered and put into operation. Currently we operate a fleet of ten vessels with total capacity of 92,000 dwt, in which six vessels are operated under time charters, the remaining four vessels are operated under voyage charters or CoAs.

We endeavour to provide high quality asphalt tanker chartering services. We have our own team of engineers and we are actively involved in the design of our vessels. Our team works closely with ship design experts, our customers, shipyards, an international classification society and banks or finance lease companies. We formulate customised shipbuilding plans to build new vessels that suit our customers' requirements such as fuel consumption efficiency and carrying capacity. Our Directors believe that by implementing the customisation, we could raise our service standards and competitiveness.

Our major customers include global shipping and logistics groups, global independent energy traders, and the publicly traded energy companies based in the United States. Our Group has diversified its customer segments and gradually engaged new customers to reduce our reliance over our largest customer. As a result of our Group's efforts to engage new customers, the number of customers has been on an increase trend in the past few years, and has increased to thirteen customers for the year ended 31 December 2018.

2018 has also been an exceptional year for our Group as it has achieved new breakthroughs. On 26 September 2018, the shares of the Company (the "**Shares**") were successfully listed ("**Listing**") on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), making its debut in capital market. On the same day, our Company also issued a total of 100,000,000 Shares by way of global offering at a price of HK$1.50 each upon Listing (the "**Global Offering**").

With our Group's experienced management team and competitive strengths, our Directors believe that our Group is well-positioned to further develop our presence in the asphalt tanker chartering services market and capture new business opportunities. Our competitive strengths include (i) our fleet of vessels is relatively new and fit for purpose to meet customers' needs; (ii) stable cash inflow from long-term contracts with customers; (iii) established stable relationships with our customers and shipyards; and (iv) our focus on high standard of maintenance of our fleet to offer quality and safe asphalt tanker chartering services.

After the last new vessel, Lotstella, was delivered in November 2018, we have not engaged any new shipbuilding plan at this moment. As all our vessels continued to achieve high utilisation in 2018, we will continue expanding our fleet to support the continued growth of our services demand. We plan to build two new vessels each with a carrying capacity of approximately 21,000 dwt each in 2019, and expected to be handed over starting in 2020, so that our fleet will increase to 12 vessels. In the meanwhile, we had obtained letter of intent from an existing customer for the first new vessel, and also obtained a written confirmation from the existing customer to indicate their interest in the second new vessel. Besides, we shall maintain our Group's variety of services types with a balance approach to meet different demands in the market.

According to Asphalt Tanker Market Review issued by an industry researcher, the asphalt tanker fleet has been performing a key role in addressing asphalt supply imbalances between producing refineries and end-use destinations. Transporting asphalt by water between countries and regions of the world has been increasing in recent years. The global asphalt tanker chartering services market is expected to remain relatively stable in 2019 as a mature industry after years of development.

We believe the global and regional economic and market conditions are facing the threat of recent political and trade disputes, such as Sino-U.S. trade war and sanction actions against Iran and Venezuela. The events had no direct adverse impact on our asphalt tanker chartering industry during the year ended 31 December 2018. However, the demand for infrastructure construction materials, and thereby asphalt, may be declined due to slowing economic growth and, in turn, could have a material adverse effect on our business. We are well aware of the uncertainty ahead.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, our revenue increased to approximately US$42.7 million by approximately US$9.0 million or 26.7% compared to that of 2017. For the years under review, the increase was mainly due to the number of our vessels in operation increased from seven vessels to ten vessels.

The increase of approximately US$3.4 million or 16.9% of revenue was generated from time charter services, mainly due to our vessels, Lilstella and Poestella, were put into operation for time charters and commenced to generate revenue in June and July 2017, respectively.

The increase of approximately US$5.6 million or 40.9% of revenue was generated from voyage charter, and CoAs, mainly due to (i) our new vessels, Baustella, Jastella and Lotstella, were delivered and put into operation for voyage charter and CoAs and commenced to generate revenue in February, April and November 2018, respectively; and (ii) our vessels, Orcstella and Rostella were delivered in March and April 2017 and not in full operation for the year ended 31 December 2017, but they were in full operation for the whole year ended 31 December 2018.

Cost of sales

Our cost of sales increased to approximately US$28.2 million by approximately US$7.8 million or 38.2% for the year ended 31 December 2018 compared to that of 2017. Such increase was in line with the increase in revenue generated and the increase in the number of vessels for the year. For the year ended 31 December 2018, our new vessels, Baustella, Jastella and Lotstella, were put into operation in February, April and November 2018, respectively. In addition, our vessels, Orcstella and Rostella, were not fully operated for the year ended 31 December 2017, but were fully operated for the year ended 31 December 2018.

The increase of cost of sales was mainly due to:

(i) our crew expense recorded an increase of approximately US$2.2 million or 30.1%, which was mainly due to our new vessels, Baustella, Jastella and Lotstella were put into operation in February, April and November 2018, respectively;

(ii) our depreciation recorded an increase of approximately US$1.8 million or 32.7%, which was mainly due to (a) our new vessels, Baustella, Jastella and Lotstella commenced to charge for depreciation upon delivery of approximately US$1.1 million for the year ended 31 December 2018 and (b) our vessels, Orcstella and Rostella did not charge depreciation for the whole year ended 31 December 2017; and

(iii) our bunker fees and port charges recorded an increase of approximately US$2.2 million and US$0.5 million or 81.5% and 55.6%, respectively, such increase was mainly due to (a) our new vessels, Baustella, Jastella and Lotstella, were put into operation for voyage charters and CoAs in February, April and November 2018, respectively; and (b) our vessels, Orcstella and Rostella did not operate for the whole year ended 31 December 2017.

Gross profit and gross profit margin

Our gross profit increased to approximately US$14.5 million by approximately US$1.2 million, or 9.0% for the year ended 31 December 2018 compared to that of 2017. Such increase was mainly attributable to the increase in the gross profit of approximately US$0.9 million from voyage charter, and CoAs, which the revenue grew by 40.9% resulting from (i) our new vessels, Baustella, Jastella and Lotstella were put into operation in February, April and November 2018; and (ii) our vessels, Orcstella and Rostella did not operate for full period for the year ended 31 December 2017.

However, our gross profit margin dropped from approximately 39.3% for the year ended 31 December 2017 to approximately 33.9% for the year ended 31 December 2018, was mainly attributable to lower profit margin of voyage charters and CoAs and slight drop of profit margin of time charters. It was mainly because the bunker costs increased significantly during the year ended 31 December 2018, but we could not shift the cost by rising charter hire rate to our customers. The bunker price index demonstrated upward trend since the second half of 2017 to the highest record in October 2018 among the years of 2017 and 2018. In addition, the three new vessels operated under voyage charters and CoAs, which were delivered during the year ended 31 December 2018, and started to generate revenue upon delivery, but certain pre-operating costs were incurred before their delivery such as crew expenses and management fees.

Our gross profit from time charters slightly increased by approximately 3.5% for the year ended 31 December 2018, however its gross profit margin slightly dropped resulting from a vessel operated under time charters were off-hired for 45 days due to a fire accident towards the end of 2018, but the fixed costs such as depreciation were still charged for the off-hired period.

Other income

Our other income increased significantly by approximately US$7.9 million or 2,633.3% from approximately US$0.3 million for the year ended 31 December 2017 to approximately US$8.2 million for the year ended 31 December 2018. Such increase was mainly due to an insurance compensation income of US$6.8 million in relation to the repair costs of a vessel with a fire accident. Besides, the fair value gain on derivative financial instruments of approximately US$0.3 million mainly in relation to the interest rate swap contracts was recognised for the year ended 31 December 2018, but fair value loss on interest rate swap contracts was recorded in other operating expense for the year ended 31 December 2017.

Administrative expenses

Our Group's administrative expenses increased by approximately US$1.8 million or 85.7% from approximately US$2.1 million for the year ended 31 December 2017 to approximately US$3.9 million for the year ended 31 December 2018, which was in line with the expansion in our business operation for the year ended 31 December 2018.

The increase of administrative expenses was mainly due to:

(i) our Group incurred non-recurrent listing expenses of approximately US$1.9 million for the year ended 31 December 2018, but approximately US$0.4 million for the year ended 31 December 2017, because our listing activities commenced from the second half of 2017; and

(ii) our staff costs recorded an increase of approximately US$0.2 million due to the increase in wage rate and the number of employees.

Other operating expenses

Our Group recorded other operating expenses of approximately US$0.4 million and US$7.1 million for the years ended 31 December 2017 and 2018, respectively. The increase in other operating expenses was mainly due to the repair costs for a vessel with fire accident which was totally compensated by insurance. In addition, as mentioned above the fair value loss on derivative financial instruments in relation to interest rate swap contracts was recorded in the year ended 31 December 2017, but the fair value gain mainly on interest rate swap contracts was recorded in the other income for the year ended 31 December 2018.

Exchange gains/losses, net

Our Group recorded net exchange gains of approximately US$0.3 million for the year ended 31 December 2018 as compared to net exchange losses of approximately US$1.5 million for the year ended 31 December 2017, which was principally attributable to the exchange fluctuation of our Group's bank loans denominated in Singapore Dollars ("**SGD**"). Our Group maintained the bank loans denominated in SGD during the years under review, amounting to approximately US$20.2 million as at 31 December 2018 (2017: US$24.4 million). United States dollars ("**USD**") depreciated against SGD by approximately 8.2% for the year ended 31

December 2017, resulting in exchange losses when conversion of the bank loans denominated in SGD, while USD appreciated against SGD by approximately 1.9% for the year ended 31 December 2018, resulting in exchange gain when conversion of the bank loans denominated in SGD.

Finance costs

Our finance costs increased by approximately US$1.9 million, or 52.8% for the year ended 31 December 2018 as compared to that of 2017. The increase was mainly attributable to rise of finance lease charges by approximately US$2.2 million due to the addition of our new vessels, Baustella, Jastella and Lotstella, under the finance lease arrangement in the year ended 31 December 2018. In addition, as all bank loans and finance leases are arranged at floating interest rates, the bank interests and finance lease charges increased in line the increasing trend of interest rate during the year ended 31 December 2018.

Income tax expense

No provision for Hong Kong Profits Tax, PRC Corporate Income Tax and Singapore Corporate Income Tax was made since our Group has no assessable profit for the years ended 31 December 2017 and 2018. It was because no tax position for Hong Kong profits tax, PRC corporate income tax and Singapore corporate income tax of our Group is required.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year ended 31 December 2018 increased by approximately US$0.6 million, or 10.0% to approximately US$6.6 million for the year ended 31 December 2018 as compared to approximately US$6.0 million for the year ended 31 December 2017, while our net profit margin slightly decreased to 15.5% from 17.9% for the respective years.

Such increase in our profit was primarily due to the combined effect of (i) the increase in our revenue resulted from the three new vessels, namely Baustella, Jastella and Lotstella, which were put into operation in February, April and November 2018, respectively, (ii) fair value gain on derivative financial instruments and exchange gain of approximately US$0.3 million and US$0.3 million, respectively, for the year ended 31 December 2018; (iii) fair value loss on derivative financial instruments and exchange loss of approximately US$0.3 million and US$1.5 million, respectively, for the year ended 31 December 2017; but partially offset (iv) the increase in non-recurrent listing expenses of approximately US$1.5 million for the year ended 31 December 2018.

FINANCIAL POSITION

As at 31 December 2018, our Group's total assets amounted to approximately US$211.0 million (2017: US$164.0 million) with net assets amounting to approximately US$99.1 million (2017: US$74.4 million). As at 31 December 2018, gearing ratio (total debts divided by the total equity attributable to owners of our Company) of our Group was 1.09, a mere increase of 4.8 percentage points as compared to that of 1.04 as at the end of 2017. Net debt to equity ratio (net debt, being our total debts net of bank and cash balances and pledged bank deposits, by total equity attributable to owners of our Company) of our Group was 0.89 as at 31 December 2018, a drop of 9.2 percentage points as compared to that of 0.98 as at the end of 2017. Current ratio of our Group improved to 1.16 as at 31 December 2018 as compared to that of 0.25 as at the end of 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the liquidity position has improved mainly due to the better cash position resulting from the net proceeds of approximately HK$123.2 million from the Global Offering. Our Group adopts a balanced approach to cash and financial management to ensure proper risk control and lower the costs of funds, and seeks to maintain optimal level of liquidity that can meet our working capital needs while supporting a healthy level of business and our various growth strategies. Our Group finances our operations and growth primarily through cash generated from operations, bank loans and finance lease arrangement, as well as the net proceeds from the Global Offering.

As at 31 December 2018, our Group had pledged bank deposits and bank and cash balances of approximately US$19.6 million, an increase of approximately US$15.7 million as compared to approximately US$3.9 million as at 31 December 2017. Such increase was mainly due to the net proceeds from the Listing and operating profits generated for the year ended 31 December 2018. As at 31 December 2018, our pledged bank deposits are denominated in USD and most of our bank and cash balances are denominated in USD.

Treasury Policies

The primary objective of our Group's capital management is to maintain its ability to continue as a going concern so that our Group can constantly provide returns for shareholders of our Company (the "**Shareholders**") and benefits for other stakeholders by securing access to financing at reasonable costs. Our Group actively and regularly reviews and manages its capital structure and makes adjustment by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities.

INDEBTEDNESS

As at 31 December 2018, our Group's indebtedness comprised bank loans and finance lease payables of approximately US$39.4 million and US$68.3 million, respectively. Our bank loans are denominated in USD and SGD, while our finance lease payables are denominated in USD. All bank loans and finance lease payables are arranged at floating rates, thus exposing our Group to cash flow interest rate risk. During the year ended 31 December 2018, our Group used interest rate swaps in order to mitigate its risk exposure associated with fluctuations relating to interest cash flows.

The maturity of bank loans and finance lease payables as at 31 December 2018 is as follows:

	Bank loans	Finance lease payables
	US$'000	*US$'000*
Within one year	7,330	11,561
More than one year, but not exceeding two years	7,330	11,561
More than two years, but not more than five years	23,188	45,199
More than five years	1,583	–
	39,431	68,321

Our bank loans were obtained for the sole purpose of construction of our vessels, as at 31 December 2018, such bank loans were secured by:

(i) mortgage over our Group's vessels;

(ii) corporate guarantees provided by our Company and subsidiaries; and

(iii) pledged bank deposits and restricted bank balances.

As at 31 December 2018, our finance lease payables were secured by:

(i) charges over our Group's vessels;

(ii) corporate guarantees provided by our Company and/or subsidiaries;

(iii) restricted bank balances; and

(iv) charge over shares of our subsidiaries.

FOREIGN CURRENCY RISKS

Our Group has a certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities such as SGD and Renminbi, mainly our bank loans are denominated in SGD. In February 2018, we adopted a foreign exchange rate and interest rate risk control policy to manage the foreign exchange risk and interest rate risk. Our Group monitors the foreign currency exposure closely and will consider hedging transactions to mitigate significant foreign currency exposure should the need arise. During the year ended 31 December 2018, our Group entered into foreign currency forward contracts to hedge the foreign currency risk in respect of bank loans denominated in SGD.

PLEDGE OF ASSETS

At 31 December 2018, the carrying amounts of bank deposits and vessels pledged as securities for our Group's bank loans amounted to approximately US$1.3 million and US$69.4 million respectively. At 31 December 2018, the carrying amount of vessels held by our Group under finance leases amounted to approximately US$114.8 million.

At 31 December 2018, bank balances of approximately US$0.8 million and US$1.0 million were restricted from being used and charged over our Group's bank loans and financial lease payables respectively.

CAPITAL COMMITMENT

As at 31 December 2018, our Group had no capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2018, our Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

We value our employees and recognise the importance of a good relationship with our employees. We recruit our employees based on their work experience, education background and qualifications. To maintain and ensure the quality of our employees, we provide our personnel formal and on-the-job training to enhance their technical skills as well as knowledge of industry quality standards and work place safety standards. As at 31 December 2018, our Group had a total of 35 employees of which 30 were in the PRC, 2 were in Hong Kong and 3 were in Singapore. The remuneration to our employees includes salaries and allowances. Employees are remunerated according to their qualifications, experiences, job nature, performance and with reference to market conditions.

SIGNIFICANT INVESTMENT HELD

Our Group had not held any significant investments during the year ended 31 December 2018.

MATERIAL ACQUISITIONS OR DISPOSALS

During the year ended 31 December 2018, there was no material acquisition or disposal by our Group.

LISTING AND USE OF PROCEEDS FROM THE SHARE OFFER

The Company listed its Shares on the Main Board of the Stock Exchange on 26 September 2018 (the "Listing Date") and issued a total of 100,000,000 Shares by way of global offering at a price of HK$1.50 each (the "Listing"). The net proceeds from the Listing were approximately HK$123.2 million (after deducting the listing expenses), which is slightly lower than the estimated net proceeds of approximately HK$124.8 million. The difference of approximately HK$1.6 million has been adjusted in the same manner and in the same proportion to use of proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 11 September 2018 (the "**Prospectus**") as follows:

- approximately 90.2% of the net proceeds from the Global Offering, or approximately HK$111.1 million (equivalent to approximately US$14.2 million), will 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 from the Global Offering, or approximately HK$12.1 million (equivalent to approximately US$1.5 million), will be used as the Group's working capital.

An analysis of the net proceeds up to 31 December 2018 is set out below:

	Estimated use of proceeds *HK$ million*	**Adjusted use of proceeds** *HK$ million*	**Utilised up to 31 December 2018** *HK$ million*
Purchase of two new vessels	112.6	111.1	–
General working capital	12.2	12.1	–
Total	124.8	123.2	–

The net proceeds raised by the Group have not been utilised from the Listing Date up to the date of this announcement. There have been no material changes or delays to use of proceeds, as we plan to execute our shipbuilding plans in the second half of 2019. The unused net proceeds as at 31 December 2018 were placed as bank balances with licensed bank in Hong Kong, Singapore and offshore account with a licenced China bank, and will be applied in the manner consistent with the proposed allocations.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the period from 1 January 2018 to 25 September 2018.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code since the Listing Date up till 31 December 2018.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

As the Shares were listed on the Stock Exchange on 26 September 2018, the Model Code was not applicable to the Company during the period from 1 January 2018 to 25 September 2018.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code throughout the period from the Listing Date to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the reporting period.

SCOPE OF WORK OF RSM HONG KONG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by RSM Hong Kong on this announcement.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 21 June 2019, the register of members of the Company will be closed from Tuesday, 18 June 2019 to Friday, 21 June 2019, both days inclusive, during the period no transfer of shares will be registered. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m on Monday, 17 June 2019.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company, Mr. Suen Chi Wai, Mr. Lai Guanrong and Mr. Xu Jie. Mr. Suen Chi Wai is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's consolidated results for the year ended 31 December 2018 together with the management and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.xysgroup.com). The annual report will be dispatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 25 March 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.