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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MOTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xin Yuan Enterprises Group Limited (the "**Company**") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively as the "**Group**") for the six months ended 30 June 2020 ("**Periods Under Review**"), together with the comparative figures for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2020

	Note	Six months ended 30 June **2020** ***US$'000*** **(unaudited)**	 2019 *US$'000* (unaudited)
Revenue	*4*	**29,607**	24,581
Cost of sales		**(20,663)**	(17,520)
Gross profit		**8,944**	7,061
Other income		**365**	1,226
Administrative expenses		**(1,428)**	(1,080)
Other operating expenses		**(578)**	(612)
Exchange gains/(losses), net		**566**	(124)
Profit from operations		**7,869**	6,471
Finance costs		**(2,855)**	(3,218)
Profit before tax		**5,014**	3,253
Income tax expense	*5*	**–**	–
Profit for the period	*6*	**5,014**	3,253
Earnings per share	*8*		
Basic (cents per share)		**1.23**	0.81
Diluted (cents per share)		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit for the period	**5,014**	3,253
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(25)**	(15)
Other comprehensive income for the period, net of tax	**(25)**	(15)
Total comprehensive income for the period	**4,989**	3,238

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2020

	Note	**30 June 2020** **US$'000** **(unaudited)**	31 December 2019 US$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**97,477**	100,014
Right-of-use-assets		**106,021**	108,918
Total non-current assets		**203,498**	208,932
Current assets			
Derivative financial instruments		**103**	–
Inventories		**1,015**	1,508
Contract assets		**181**	373
Trade receivables	*9*	**1,472**	2,313
Other receivables, deposits and prepayments		**1,145**	1,643
Pledged bank deposits		**1,392**	1,379
Bank and cash balances		**11,571**	2,817
Total current assets		**16,879**	10,033
TOTAL ASSETS		**220,377**	218,965
EQUITY AND LIABILITIES			
Share capital		**4,400**	4,000
Reserves		**111,308**	101,090
Total equity		**115,708**	105,090

	Note	30 June 2020 US$'000 (unaudited)	31 December 2019 US$'000 (audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**36,538**	24,938
Lease liabilities		**35,755**	45,265
Total non-current liabilities		**72,293**	70,203
Current liabilities			
Derivative financial instruments		**630**	286
Contract liabilities		**538**	187
Borrowings		**12,702**	27,831
Lease liabilities		**15,446**	11,635
Trade payables	*10*	**1,252**	1,920
Other payables and accruals		**1,808**	1,813
Total current liabilities		**32,376**	43,672
TOTAL EQUITY AND LIABILITIES		**220,377**	218,965

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

As at 30 June 2020, the Group had net current liabilities of approximately US$15,497,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing these condensed consolidated financial statements, the directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to continue to attain profitable and positive cash flows from operations in the immediate and longer terms. In order to strengthen the Group's liquidity in the foreseeable future, the directors of the Company have taken the following measures:

— the Group's continuous net cash inflows from operating activities.

— the successful negotiations with the lenders for refinancing of vessels as and when needed.

The directors of the Company have taken into account the cash requirements of the Group for the next twelve months from the end of the reporting period and the above measures, the directors have concluded that the Group will have sufficient working capital to meet in full its financial obligations as they fall due and accordingly the condensed consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets and to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019. A number of new or amended standards are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

3. SEGMENT INFORMATION

	Asphalt tanker chartering services *US$'000* **(unaudited)**	**Bulk carrier chartering services** *US$'000* **(unaudited)**	**Asphalt trading** *US$'000* **(unaudited)**	**Total** *US$'000* **(unaudited)**
6 months ended 30 June 2020:				
Revenue from external customers	**24,342**	**5,265**	**–**	**29,607**
Segment profit/(loss)	**4,953**	**1,081**	**(1)**	**6,033**
As at 30 June 2020:				
Segment assets	**178,737**	**33,560**	**7**	**212,304**
Segment liabilities	**(82,269)**	**(17,718)**	**–**	**(99,987)**

	Asphalt tanker chartering services *US$'000* (unaudited)	Bulk carrier chartering services *US$'000* (unaudited)	Asphalt trading *US$'000* (unaudited)	Total *US$'000* (unaudited)
6 months ended 30 June 2019:				
Revenue from external customers	22,873	–	1,708	24,581
Segment profit	4,044	–	106	4,150
	(audited)	(audited)	(audited)	(audited)
As at 31 December 2019:				
Segment assets	185,200	33,277	7	218,484
Segment liabilities	(92,224)	(248)	–	(92,472)

Reconciliations of segment profit or loss:

	Six months ended 30 June	
	2020 *US$'000* **(unaudited)**	2019 *US$'000* (unaudited)
Total profit or loss of reportable segments	**6,033**	4,150
Interest expenses	**(13)**	(13)
Unallocated corporate income	**50**	–
Unallocated corporate expenses	**(1,056)**	(884)
Consolidated profit for the period	**5,014**	3,253

4. REVENUE

The Group's main operations and revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers and lease contracts.

In the following table, revenue is disaggregated by service category and timing of revenue recognition.

	Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
— Voyage charter and contract of affreightment ("CoA"), recognised over time	**13,511**	11,167
— Trading of asphalt, recognised at a point in time	**–**	1,708
	13,511	12,875
Revenue from other sources		
— Time charter	**16,096**	11,706
	29,607	24,581

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	30 June	31 December
	2020	2019
	US$'000	*US$'000*
	(unaudited)	(audited)
Receivables, which included in "trade receivables"	**1,472**	2,313
Contract assets	**181**	373
Contract liabilities	**(538)**	(187)

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 an invoice to the customer. Contract liabilities of the Group arise from the advance payments made by the customer or billings invoiced to the customer (whichever is earlier) while underlying services are yet to be provided.

The amount of US$187,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2020.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Current tax	**–**	–

During the period, the Group mainly operated in Hong Kong, People's Republic of China ("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 period (six months ended 30 June 2019: Nil).

6. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Depreciation on property, plant and equipment	**2,538**	1,421
Depreciation on right-of-use assets	**3,033**	3,057
Directors' emoluments	**153**	90
Exchange (gains)/losses, net	**(566)**	124
Fair value gains on foreign currency forward contracts	**(103)**	–
Fair value losses on interest rate swap contracts	**344**	179
Operating lease charges — office premises	**71**	43
Staff costs (including directors' emoluments)	**682**	628

7. DIVIDEND

The directors do not recommend the payment of an interim dividend (six months ended 30 June 2019: Nil).

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**5,014**	3,253
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares *(Note)*	**406,154**	400,000

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2020 has been adjusted for the effect of the issuance of shares on 3 June 2020.

No diluted earnings per share was presented for the six months ended 30 June 2019 and 2020 as there was no potential ordinary share outstanding.

9. 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. For trading of asphalt, the balance is normally paid within 30 days after the invoice date. 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 date of invoice, is as follows:

	30 June 2020	31 December 2019
	US$'000	*US$'000*
	(unaudited)	(audited)
0 to 30 days	**1,424**	2,167
Over 30 days	**48**	146
	1,472	2,313

10. TRADE PAYABLES

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

	30 June 2020	31 December 2019
	US$'000	*US$'000*
	(unaudited)	(audited)
0 to 30 days	**1,154**	1,480
31 to 60 days	**6**	26
Over 60 days	**92**	414
	1,252	1,920

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2020, the Group recorded revenue of approximately US$29.6 million, representing an increase of 20.3% compared with the corresponding period last year, with three operating segments which included (i) asphalt tanker chartering services; (ii) bulk carrier chartering services; and (iii) asphalt trading. Our Group principally provides asphalt tanker chartering services under various types of charter agreements comprising: (i) time charters; and (ii) voyage charters and contracts of Affreightment ("**CoAs**"). In late 2019, we acquired two second-hand Capesize vessels, namely XYG Fortune and XYMG Noble, which have been providing bulk carrier time chartering services to our customers, and contributed new source of income to the Group.

Currently we operate a fleet of twelve vessels with total capacity of approximately 470,000 dwt, in which seven vessels are operated under asphalt tanker time charters, three vessels are operated under asphalt tanker voyage charters or CoAs and the remaining two second-hand Capesize vessels are operated under bulk carrier time charters. Most of our vessels fleet are operated under time charters and are chartered to customers with high performance capabilities on a long-term basis ranging from one to ten years, which generated steady income for our Group.

We endeavour to provide high quality asphalt tanker and bulk carrier 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, the shipyards, the international classification societies and banks or finance lease companies. Our major customers include global shipping and logistics groups, global independent energy traders, and publicly traded energy companies based in the United States. Our Group has diversified our business and services and gradually developed our own customers portfolio.

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 bulk carrier time chartering services. Hence, our Group maintains the variety of services types with a balanced approach to meet different demands in the market.

At the beginning of the year, the COVID-19 epidemic began to break out in China, which is an important market for asphalt. However, most of the asphalt trade contracts were signed before the Spring Festival Holiday and the Australian market entered the peak season, therefore the demand for the asphalt tanker chartering was still relatively stable in the first quarter. Subsequently, some adverse factors have a certain degree of negative impact to the demand for asphalt tanker chartering, including successive outbreaks of the COVID-19 pandemic which led to the slowdown of the economic development of the Southeast Asian countries and Australia, insufficient labour force owing to the domestic rainy season, and the drastic fluctuations of asphalt price being petroleum product was highly affected by the freefall of the crude oil market. Looking ahead, our Directors are cautiously optimistic on the asphalt tanker charter market in the second half of the year. It is predicted that many countries may increase the expenditure on construction and infrastructure sectors and implement intensive economic stimulus policies after COVID-19 pandemic, in order to accelerate the economic recovery. Besides, following a gradual recovery on Chinese activity since March 2020 and the refinery resume its production, the demand for various crude oil products rebound strongly. All of these factors may rise the demand of asphalt trade and benefit to the asphalt tanker charter market accordingly.

In the first half of the year, the dry bulk carrier marked a downturn in the Capesize markets, the Baltic Exchange Capesize Index ("**BCI**") the first time ever in negative territory for almost two months. The BCI continued to operate at a low level, it is apparent that a number of factors have all converged simultaneously, including seasonality, higher fuel prices owing to implementation of the new IMO 2020 regulations, flooding in Brazil and the COVID-19 pandemic. With the resumption of the work and production in the global economy, the supply of global mainstream minerals has been steadily rising and the increasing demand for iron ore from Mainland, it may benefit to the long-distance Capesize vessels of dry bulk carrier market in the second half of 2020.

It is our management's view that for the remaining months of this financial year, our business may be challenged by certain risk factors and uncertainties. During the period, the government of the United States has ramped up the sanctions against Iran and Venezuela, it even imposed new sanctions on certain shipping companies and captains who involved shipments with Iran and Venezuela. In addition, the continuous adverse Sino-US relationship will impact on geopolitics, which may continue to impede economic recovering. The COVID-19 pandemic may have a second wave or even a third wave, but the containment timeline is unclear. Therefore, there is a greater than usual uncertainty around global economy and shipping industry.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, our revenue increased to approximately US$29.6 million by approximately US$5.0 million or 20.3% from approximately US$24.6 million for the six months ended 30 June 2019. For the Periods Under Review, the increase was mainly due to the increase in the number of our vessels from ten vessels for the six months ended 30 June 2019 to twelve vessels for the six months ended 30 June 2020, by the purchase of two second-hand Capesize vessels for providing new bulk carrier time chartering services in late 2019.

Revenue generated from asphalt tanker time charter services decreased by approximately US$0.9 million or 7.7% from approximately US$11.7 million for the six months ended 30 June 2019 to approximately US$10.8 million for the six months ended 30 June 2020. Such decrease in revenue was mainly attributable to the combined effect of (i) lower contracted hire rate was concluded when the time charters renewal for two vessels by reference to the then market spot rate in the second half of 2019, so that their revenue dropped as compared to the same period last year, though we maintained the similar level of time charter services for the Period Under Review; and (ii) the decline in revenue from San Du Ao by approximately US$0.4 million as it has been changed from time charter to voyage charter since January 2020, but (iii) on the other hand, the revenue from Rostella increased by approximately US$1.1 million for the Periods Under Review, when it has been changed from voyage charter to time charter since May 2019.

Since two second-hand Capesize vessels, namely XYG Fortune and XYMG Noble, were delivered in late 2019, which contributed revenue from bulk carrier time chartering services, amounting to approximately US$5.3 million, as new source of income to our Group for the six months ended 30 June 2020.

The increase of approximately US$2.3 million or 20.5% of revenue generated from asphalt tanker voyage charter, and CoAs from approximately US$11.2 million for the six months ended 30 June 2019 to approximately US$13.5 million for the six months ended 30 June 2020, was mainly due to (i) San Du Ao contributed approximately US$2.9 million of revenue from voyage charter, and CoA for the six months ended 30 June 2020 when it has been changed from time charter to voyage charter since January 2020 (San Du Ao was operated under time charter for the six months ended 30 June 2019), and (ii) the increasing average daily hire rate for the voyage charter, and CoA market in the first half of 2020 because of the decline in charter supply, as a result of peak season in Australian asphalt trade market and increase in the import demand of asphalt from PRC traders that contracted before the outbreak of COVID-19; but such increase was partially offset by (iii) the operation of our vessel Rostella has been changed from voyage charter to time charter since May 2019 which contributed revenue of approximately US$1.9 million for the six months ended 30 June 2019.

During the six months ended 30 June 2020, no revenue was generated from trading of asphalt.

Cost of sales

Our cost of sales increased by approximately US$3.2 million or 18.3% for the six months ended 30 June 2020 as compared to the same period of 2019. Such increase was in line with the increase in revenue, mainly resulting from the increase in two second-hand Capesize vessels operated under bulk carrier time charter, namely XYG Fortune and XYMG Noble, which were delivered in late 2019, and were in full operation for the six months ended 30 June 2020.

The increase of cost of sales was mainly due to the following factors:

(i) our crew expenses recorded an increase of approximately US$1.0 million or 18.5%, which was mainly due to the fact that our two new Capesize vessels, XYG Fortune and XYMG Noble, were delivered in late 2019 and put into full operation for the six months ended 30 June 2020, but no operation for the six months ended 30 June 2019;

(ii) our depreciation recorded an increase of approximately US$1.1 million or 25.0%, which was mainly due to the fact that our two new Capesize vessels, XYG Fortune and XYMG Noble, were delivered in late 2019, were depreciated in full for the six months ended 30 June 2020, but no depreciation for the six months ended 30 June 2019; and

(iii) our bunker fees recorded an increase of approximately US$0.7 million or 24.1%, which was mainly due to the change of use in low Sulphur fuel oil when the new regulation of IMO2020 was implemented in January 2020, which the cost of this new fuel is higher than the previous one.

Gross profit and gross profit margin

Our gross profit increased by approximately US$1.8 million or 25.4%, from approximately US$7.1 million for the six months ended 30 June 2019 to approximately US$8.9 million for the six months ended 30 June 2020. Such increase was mainly due to the gross profit of approximately US$1.8 million generated from two second-hand Capesize vessels operated under bulk carrier time charter for the six months ended 30 June 2020.

Besides, our overall gross profit margin increased from approximately 28.7% for the six months ended 30 June 2019 to approximately 30.2% for the six months ended 30 June 2020, which was mainly attributable to the new bulk carrier time chartering services having a relatively higher profit margin of approximately 35.8% for the six months ended 30 June 2020.

Our gross profit generated from asphalt tanker time charters services decreased by approximately US$0.9 million or 21.9% for the six months ended 30 June 2020, and its gross profit margin dropped by approximately 6.0%. Such decrease was in line with the decline in revenue from asphalt tanker time chartering by approximately 7.7%, and lower contracted hire rate when the time charter renewal for two vessels in the second half of 2019.

Our gross profit from asphalt tanker voyage charters and CoAs increased by approximately US$1.1 million or 39.3% for the six months ended 30 June 2020, which was in line with the rise of revenue generated from asphalt tanker voyage charters and CoAs of approximately 20.5% and the higher gross profit margin from asphalt tanker voyage charters and CoAs by approximately 3.4% for the six months ended 30 June 2020.

Other income

Our other income decreased by approximately US$0.8 million or 66.7% from approximately US$1.2 million for the six months ended 30 June 2019 to approximately US$0.4 million for the six months ended 30 June 2020. The decrease was mainly due to the decrease in non-recurring insurance compensation income of approximately US$0.8 million in relation to the repair costs of vessels for the Periods Under Review.

Administrative expenses

Our Group's administrative expenses increased by approximately US$0.3 million or 27.3% from approximately US$1.1 million for the six months ended 30 June 2019 to approximately US$1.4 million for the six months ended 30 June 2020, mainly due to the fact that the loan handling charges of approximately US$0.1 million in non-recurring nature were incurred for loan arrangement for two Capesize vessels in the first quarter of 2020.

Other operating expenses

Our Group recorded other operating expenses of approximately US$0.6 million for each of the six months ended 30 June 2019 and 2020, mainly included the fair value losses on interest rate swap contracts and vessels repair costs.

Exchange gains/losses, net

Our Group recorded net exchange gains of approximately US$0.6 million for the six months ended 30 June 2020 as compared to net exchange losses of approximately US$0.1 million for the six months ended 30 June 2019, which was principally attributable to the exchange fluctuation of our Group's borrowings denominated in Singapore Dollars ("**SGD**"). Our Group maintained the borrowings denominated in SGD during the Periods Under Review, amounting to approximately US$14.3 million as at 30 June 2020 (31 December 2019: approximately US$16.7 million). United States dollars ("**USD**") appreciated against SGD by approximately 3.3% for the six months ended 30 June 2020, resulting in exchange gains when conversion of the borrowings denominated in SGD, while USD depreciated against SGD by approximately 0.7% for the six months ended 30 June 2019, resulting in exchange losses when translation of the borrowings denominated in SGD.

Finance costs

Our finance costs declined by approximately US$0.3 million, or 9.4% for the six months ended 30 June 2020 as compared to the same period of 2019. The decrease was mainly due to repayment of borrowings during the six months ended 30 June 2020.

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 Periods Under Review.

Profit for the period

Our profit for the Periods Under Review increased by approximately US$1.7 million, or 51.5% to approximately US$5.0 million for the six months ended 30 June 2020 as compared to approximately US$3.3 million for the six months ended 30 June 2019, while our net profit margin also increased to approximately 16.9% from approximately 13.4% for the respective periods. Such increase in our profit for the Periods Under Review was primarily due to the increase in gross profits of approximately US$1.8 million, mainly attributable to the contribution from the two new Capesize vessels operated under bulk carrier time charter.

FINANCIAL POSITION

As at 30 June 2020, our Group's total assets amounted to approximately US$220.4 million (31 December 2019: approximately US$219.0 million) with net assets amounting to approximately US$115.7 million (31 December 2019: approximately US$105.1 million). As at 30 June 2020, gearing ratio (total debts divided by the total equity attributable to owners of our Company) of our Group was 0.87, representing a decrease of 16.3 percentage points as compared to that of 1.04 as at the end of 2019. 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 0.76 as at 30 June 2020, representing a decrease of 24.0 percentage points as compared to that of 1.0 as at the end of 2019. Current ratio of our Group was 0.52, representing an increase of 126.1 percentage points as compared to that of 0.23 as at the end of 2019, as a result of the net operating inflows and net proceeds from new shares issued during the six months ended 30 June 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the liquidity position had a mere improvement as compared to the end of 2019. Our Group adopts a balanced approach to cash and financial management to ensure proper risk control and lower the costs of funds, and seek 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, borrowings and finance lease arrangement, as well as the net proceeds from the new shares issued.

As at 30 June 2020, the Group had net current liabilities of approximately US$15.5 million. Our Directors are confident that our Group's continuous net cash inflows from operating activities and the successful negotiations with the lenders for refinancing of vessels as and when needed, will strengthen our liquidity in the foreseeable future. Considering the current and anticipated future liquidity of our Group and the above measures, our Directors have concluded that our Group will have sufficient working capital to meet its financial obligation in full as they fall due and the condensed consolidated financial statements have been prepared on a going concern basis.

As at 30 June 2020, the Group's borrowings and lease liabilities of approximately US$100.4 million in aggregate decreased by approximately US$9.2 million as compared to 31 December 2019, which was primarily due to repayment of debts financing by profits generated from operations as well as the proceeds from issuance of new shares during the six months ended 30 June 2020. During the six months ended 30 June 2020, the Group obtained two borrowings with the total amount of US$18.0 million, on the other hand, the Group repaid the carrying amounts of borrowings of approximately US$17.3 million in aggregate.

As at 30 June 2020, our Group had pledged bank deposits and bank and cash balances of approximately US$13.0 million in aggregate, representing an increase of approximately US$8.8 million as compared to approximately US$4.2 million as at 31 December 2019. Such increase was mainly due to profits generated from operations as well as the proceeds from issuance of new shares. 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 30 June 2020, the Group's indebtedness mainly comprised borrowings and lease liabilities of approximately US$49.2 million and US$51.2 million respectively. Our borrowings are denominated in USD and SGD, while lease liabilities are denominated in USD. All borrowings and lease liabilities are arranged at floating rates, thus exposing our Group to cash flow interest rate risk. During the six months ended 30 June 2020, our Group used interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows.

The maturity of borrowings and lease liabilities as at 30 June 2020 is as follows:

	Borrowings	**Lease liabilities**
	US$'000	*US$'000*
Within one year	12,702	15,446
More than one year, but not exceeding two years	17,922	9,130
More than two years, but not more than five years	18,616	26,625
	49,240	51,201

Our borrowings of approximately of US$45.4 million were obtained for the purposes of construction and financing of our vessels. As at 30 June 2020, such borrowings 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 30 June 2020, our lease liabilities of approximately US$51.0 million were secured by:

(i) charges over the Group's certain right-of-use assets;

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

(iii) restricted bank balances; and

(iv) shares of certain subsidiaries.

The remaining lease liabilities of approximately US$0.2 million was in relation to the office properties leases and no collateral was secured.

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. Our Group also has 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. Our Group has foreign currency forward contracts to hedge the foreign currency risk in respect of borrowings denominated in SGD.

PLEDGE OF ASSETS

As at 30 June 2020, the carrying amounts of pledged bank deposits, bank balances restricted from being used and vessels pledged as securities for our Group's borrowings amounted to approximately US$1.4 million, US$2.1 million and US$97.0 million respectively. As at 30 June 2020, the carrying amounts of vessels as right-of-use assets held by our Group and bank balances restricted from being used under finance leases arrangement amounted to approximately US$105.5 million and US$0.5 million, respectively.

CAPITAL COMMITMENT

As at 30 June 2020, our Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 30 June 2020, 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 30 June 2020, our Group had a total of 37 employees of which 32 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.

Our Group's total employee benefit expenses (including directors' emoluments) for the six months ended 30 June 2020 and 2019 were approximately US$0.7 million and US$0.6 million, respectively.

SIGNIFICANT INVESTMENT HELD

Our Group had not held any significant investments during the six months ended 30 June 2020.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2020, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by our Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no definite future plan for material investments or acquisition of material capital assets as at 30 June 2020.

EVENTS AFTER THE REPORTING PERIOD

(a) On 12 August 2020, Fortune Harvest Materials Hongkong Limited (the "**Fortune Harvest**") entered into a sale and purchase agreement with Universal International Technology (Hong Kong) Limited (the "**Universal International**"), pursuant to which Fortune Harvest has agreed to sell, and Universal International has agreed to purchase, 116,000,000 shares of the Company, representing approximately 26.36% of the Company's total issued share capital at a consideration of HK$162,400,000. The aforesaid transfer resulted in the change of substantial shareholders (as defined under the Listing Rules) of the Company. For further details, please refer to the announcement of the Company dated 12 August 2020.

(b) After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and has been evaluating its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these condensed consolidated financial statements are authorised for issue.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the issuance of 40,000,000 ordinary shares of the Company ("**Share(s)**") on 3 June 2020 pursuant to the subscription agreements as disclosed in the announcement of the Company dated 19 May 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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 Board is of the view that the Company has complied with all the code provisions set out in the CG Code during the six months ended 30 June 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the six months ended 30 June 2020.

REVIEW OF THE INTERIM RESULTS

The Company established the audit committee of the Company (the "**Audit Committee**") with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee comprises three independent non-executive Directors, 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 Company's unaudited condensed consolidated interim results for the six months ended 30 June 2020, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The interim results for the six months ended 30 June 2020 is unaudited, but has been reviewed by the Auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

USE OF PROCEEDS

Global Offering

The Shares of the Company were successfully listed on the Main Board of the Stock Exchange on 26 September 2018. The net proceeds from the global offering, after deducting the listing expenses, were approximately HK$123.2 million and had been fully utilised during the year ended 31 December 2019, according to the adjusted intended use of proceeds as disclosed in the Company's announcement dated 17 July 2019.

Allotment and issuance of 40,000,000 Shares under general mandate

Pursuant to the subscription agreements dated 19 May 2020, the Company allotted and issued, and the subscribers subscribed for, an aggregate of 40,000,000 Shares at HK$1.092 per Share for an aggregate cash consideration of HK$43,680,000 (equivalent to approximately US$5,628,866) on 3 June 2020 (the "**Subscriptions**").

The aggregate gross proceeds of the Subscriptions amounted to HK$43,680,000 (equivalent to approximately US$5,628,866) and the aggregate net proceeds, after the deduction of the related expenses, was approximately HK$43,280,000 (equivalent to approximately US$5,577,320). As at 30 June 2020, the net proceeds from the Subscriptions remained un-utilised and it is intended that they will be applied for general working capital of the Group as follows:

	Proposed use of proceeds as disclosed in the announcement of the Company dated 19 May 2020 *HK$*	**Utilised up to 30 June 2020** *HK$*	**Un-utilised up to 30 June 2020** *HK$*
General working capital	43,280,000	–	43,280,000

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.xysgroup.com). The interim report will be dispatched to the Shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

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

Hong Kong, 27 August 2020

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.