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 2021

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 2021 ("**Periods Under Review**"), together with the comparative figures for the six months ended 30 June 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 US$'000 (unaudited)	2020 US$'000 (unaudited)
Revenue	*4*	**24,781**	29,607
Cost of sales		**(20,013)**	(20,663)
Gross profit		**4,768**	8,944
Other income		**46**	365
Administrative expenses		**(1,748)**	(1,428)
Other operating expenses		**–**	(578)
Exchange gains, net		**348**	566
Profit from operations		**3,414**	7,869
Finance costs		**(1,924)**	(2,855)
Profit before tax		**1,490**	5,014
Income tax expense	*5*	**(2)**	–
Profit for the period	*6*	**1,488**	5,014
Earnings per share	*8*		
Basic (cents per share)		**0.34**	1.23
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 2021

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit for the period	**1,488**	5,014
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(6)**	(25)
Other comprehensive income for the period, net of tax	**(6)**	(25)
Total comprehensive income for the period	**1,482**	4,989

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	**30 June 2021** *US$'000* **(unaudited)**	31 December 2020 *US$'000* (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**94,036**	95,383
Right-of-use-assets		**100,756**	103,206
Total non-current assets		**194,792**	198,589
Current assets			
Derivative financial instruments		**45**	230
Inventories		**1,781**	1,409
Trade receivables	*9*	**2,515**	1,462
Other receivables, deposits and prepayments		**584**	586
Contract assets		**64**	76
Pledged bank deposits		**1,398**	1,398
Bank and cash balances		**7,340**	8,775
Total current assets		**13,727**	13,936
TOTAL ASSETS		**208,519**	212,525
EQUITY AND LIABILITIES			
Share capital		**4,400**	4,400
Reserves		**116,389**	114,907
Total equity		**120,789**	119,307

	Note	**30 June 2021** *US$'000* **(unaudited)**	31 December 2020 *US$'000* (audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**18,098**	30,747
Lease liabilities		**36,212**	31,171
Total non-current liabilities		**54,310**	61,918
Current liabilities			
Derivative financial instruments		**307**	508
Contract liabilities		**503**	532
Borrowings		**16,822**	12,787
Lease liabilities		**11,191**	14,184
Trade payables	*10*	**3,738**	1,909
Other payables and accruals		**859**	1,380
Total current liabilities		**33,420**	31,300
TOTAL EQUITY AND LIABILITIES		**208,519**	212,525

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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.

These condensed consolidated financial statements should be read in conjunction with the 2020 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 2020.

As at 30 June 2021, the Group had net current liabilities of approximately US$19,693,000. 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

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 2020. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021 but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

3. SEGMENT INFORMATION

	Asphalt tanker chartering services *US$'000* (unaudited)	Bulk carrier chartering services *US$'000* (unaudited)	Total *US$'000* (unaudited)
6 months ended 30 June 2021:			
Revenue from external Customers	**19,402**	**5,379**	**24,781**
Segment profit	**697**	**2,110**	**2,807**
As at 30 June 2021:			
Segment assets	**174,789**	**31,731**	**206,520**
Segment liabilities	**(72,685)**	**(14,912)**	**(87,597)**

	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
	(audited)	(audited)	(audited)	(audited)
As at 31 December 2020:				
Segment assets	175,774	31,895	7	207,676
Segment liabilities	(73,738)	(16,253)	–	(89,991)

Reconciliations of segment profit or loss:

	Six months ended 30 June 2021 *US$'000* (unaudited)	2020 *US$'000* (unaudited)
Total profit or loss of reportable segments	**2,807**	6,033
Interest expenses	**(44)**	(13)
Unallocated corporate income	**2**	50
Unallocated corporate expenses	**(1,277)**	(1,056)
Consolidated profit for the period	**1,488**	5,014

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	
	2021	2020
	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	**11,321**	13,511
Revenue from other sources		
— Time charter	**13,460**	16,096
	24,781	29,607

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

	30 June	31 December
	2021	2020
	US$'000	*US$'000*
	(unaudited)	(audited)
Receivables, which included in "trade receivables"	**2,515**	1,462
Contract assets	**64**	76
Contract liabilities	**(503)**	(532)

Amounts relating to contract assets are 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 relating to 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$532,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2021.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Current tax — Singapore Corporate Income Tax		
Underprovision in prior year	**2**	–

The Group mainly operates in Hong Kong, the PRC and Singapore. During the six months ended 30 June 2021, Singapore Corporate Income Tax has been provided at a rate of 17%. No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax was made since the Group has no assessable profit for the six months ended 30 June 2021. During the six months ended 30 June 2020, no provision for Hong Kong Profits Tax, PRC Enterprise Income Tax and Singapore Corporate Income Tax was made since the Group has no assessable profit for the six months ended 30 June 2020.

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Depreciation on property, plant and equipment	**2,755**	2,538
Depreciation on right-of-use assets	**2,450**	3,033
Directors' emoluments	**264**	153
Exchange gains, net	**(348)**	(566)
Fair value losses/(gains) on foreign currency forward contracts	**185**	(103)
Fair value (gains)/losses on interest rate swap contracts	**(201)**	344
Operating lease charges — office premises	**31**	71
Staff costs (including directors' emoluments)	**892**	682

7. DIVIDEND

The directors do not recommend the payment of an interim dividend (six months ended 30 June 2020: Nil).

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**1,488**	5,014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares *(Note)*	**440,000**	406,154

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 2020 and 2021 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 payments 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 balances are normally paid within 30 days after the finalisation. For trading of asphalt, the balances are 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 2021	31 December 2020
	US$'000	*US$'000*
	(unaudited)	(audited)
0 to 30 days	**2,437**	1,462
Over 30 days	**78**	–
	2,515	1,462

10. TRADE PAYABLES

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

	30 June 2021 *US$'000* **(unaudited)**	31 December 2020 *US$'000* (audited)
0 to 30 days	**3,738**	1,695
31 to 60 days	**–**	150
Over 60 days	**–**	64
	3,738	1,909

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2021, our Group recorded revenue of approximately US$24.8 million, representing a decrease of 16.2% compared with the same period of last year, with two operating segments which included asphalt tanker chartering services and bulk carrier chartering services. 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**"). During the Periods Under Review, our Group did not have any asphalt trading transaction.

Currently, we operate a fleet of twelve vessels with total capacity of approximately 470,000 dwt, of which four vessels are operated under asphalt tanker time charters, six 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 are operated under time charters and are chartered to customers with high performance capabilities on a long-term basis ranging from one to five 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, shipyards, 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.

In the first half of 2021, the COVID-19 pandemic (the "**COVID-19**") continued to be severe across the globe. A resurgence of infectious cases in many countries, such as the United Kingdom and India, has led to lockdowns and tightened epidemic control measures, and threatens to weaken or delay a potential sustained economic recovery. Meanwhile, the global impact of COVID-19 to shipping market has continued to vary across individual shipping segments, in particular, the asphalt tanker market was adversely affected. In addition, the capacity of refinery was insufficient in the first quarter of 2021 due to a number of factors, including production halt due to a resurgence of coronavirus case, the shutdown of refineries for maintenance and lower oil demand due to high levels of travel restrictions, leading the asphalt trade volume to shrink. Starting from the second quarter of 2021, as the production capacity of the refineries gradually increased, the asphalt trade volume and demand for tankers also increased, and tanker rate bottomed out.

For Asian market, the infrastructure investment still played a key role in China's economic development, the apparent consumption of asphalt in China was 17.5483 million tons from January to June 2021, a year-on-year increase of 12%. Traditionally, many infrastructure construction projects in China implement at the crucial period beginning from the third quarter of each year. Besides, the asphalt market is ushering the peak season in Australia. Therefore, the asphalt shipping market is expected to increase steadily in the second half of 2021.

As the development and technology of COVID-19 vaccines is being fast-tracked globally and the popularity of vaccination increases in many countries after the vaccine rollout, the impact affecting the global economy by COVID-19 is expected to lessen gradually. In the regions of Asia, Europe and America, the governments are also planning to stimulate economic development through infrastructure and construction investment, thereby driving up the demand for asphalt. In August 2021, the United States Sensate has passed a US$1 trillion bipartisan infrastructure bill to rebuild the nation's deteriorating roads and bridges and fund new climate resilience and broadband initiatives. The ambitious plan provides for US$550 billion in new federal spending for transportation, broadband and utilities, of which US$110 billion into roads, bridges and other major projects, US$66 billion into passenger and freight rail, and US$39 billion into public transit, among other spending. In addition, a few market leading companies, including owners and operators of containerships, shipping liners and commodity trading companies, have entered into long-term time charter agreements for vessels or carriers recently, indicates a sentiment to the market. We believe the outlook for asphalt tanker market remains positive in the short and medium term.

The dry bulk carrier market has been on a firm footing since the beginning of 2021, and we have a positive outlook on this trend to continue in the upcoming quarters. According to Market Research Future, the global dry bulk shipping market size is set to expand at a CAGR of 5.10% over the forecast period from 2020 to 2027. For the Capesize vessel market segment, the capacity expansion is likely to continue as a result of a number of favourable factors: including a rebound in coal volumes and strong long haul iron trade between Brazil and China, the restriction on imported coal trade from Australia to China, and the unbalanced between supply and demand of dry bulk carrier market. Once the global economy is set to recover moderately, the demand for bulk commodity raw materials continues to rise in many regions. On the other hand, a large number of vessels caught up in port congestion due to the tightening epidemic control measures, resulting in the active fleet decreased and the Baltic Dry Index increased significantly.

The global economy and the tanker market are fraught with uncertainties, including continuing COVID-19 challenges with lockdowns and border closures, port congestion and pandemic-related control measures costs, as well as the increasing trade barriers imposed by sanctions between nations, our business may be challenged and adversely affected by these risk factors and uncertainties.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, our revenue decreased to approximately US$24.8 million by approximately US$4.8 million or 16.2% from approximately US$29.6 million for the six months ended 30 June 2020. For the Periods Under Review, such decrease was mainly due to the decrease in revenue generated from asphalt tanker chartering services.

Revenue generated from asphalt tanker time charter services decreased by approximately US$2.7 million or 25.0% from approximately US$10.8 million for the six months ended 30 June 2020 to approximately US$8.1 million for the six months ended 30 June 2021. Such decrease in revenue was mainly attributable to (i) off-hire during dry-docking as one vessel was required to dry-dock for passing the renewal survey every five years, (ii) off-hire due to delay in shipping schedule as a result of a vessel carried out an temporary voyage repair in Japan instead of Shanghai because of the epidemic control measures in Shanghai, (iii) the absence of a one-off compensation of approximately US$1.3 million from the early termination of a charter agreement in respect of a vessel for the six months ended 30 June 2020 in the Periods Under Review, but partially offset by (iv) the revenue from Orcstella increased by approximately US$1.1 million for the Periods Under Review, as it has been changed from voyage charter to time charter since January 2021.

Revenue generated from asphalt tanker voyage charter, and CoAs also decreased by approximately US$2.2 million or 16.3% of from approximately US$13.5 million for the six months ended 30 June 2020 to approximately US$11.3 million for the six months ended 30 June 2021, was mainly due to (i) off-hire during dry-docking as one vessel was required to dry-dock for passing the renewal survey every five years and another vessel was required to dry-dock for passing the intermediate survey every two to three years, and (ii) the decline in revenue from Orcstella by approximately US$2.9 million for the Periods Under Review, as it has been changed from voyage charter to time charter since January 2021.

During the Periods Under Review, two second-hand Capesize vessels, namely XYG Fortune and XYMG Noble, contributed stable revenue from bulk carrier time chartering services to our Group, amounting to approximately US$5.4 million and US$5.3 million for the six months ended 30 June 2021 and 2020, respectively.

Cost of sales

Our cost of sales slightly decreased by approximately US$0.7 million or 3.4%, from approximately US$20.7 million for the six months ended 30 June 2020 to approximately US$20.0 million for the six months ended 30 June 2021. However, such decrease was not proportionally with the decrease in revenue of approximately 16.2%, though most of the operating costs decreased during the Periods Under Review, some operating costs increased or remained stable due to particular situations, including (i) the increase in crew expenses due to the impact of COVID-19, and (ii) the increase in dry-docking costs as three vessels were required to dry-dock for passing the regular renewal or intermediate survey.

The decrease in cost of sales was mainly due to the combined effect of following factors:

(i) our bunker fees recorded a decrease of approximately US$0.1 million or 3.7%, though our Group's usage for fuel oil declined but partially offset by the higher price of bunker market in the first half of 2021;

(ii) our depreciation recorded a decrease of approximately US$0.4 million or 7.1%, mainly due to the fact that certain dry docking have been fully depreciated in prior year; and

(iii) each of our port charge and repair costs decreased by approximately US$0.3 million, which was mainly due to the fact that the two Capesize vessels incurred such costs prior to the commencement of bulk carrier time charter in the early of 2020, but less costs were incurred during the charter period in the six months ended 30 June 2021;

but partially offset by

(i) our crew expenses recorded an increase of approximately US$0.6 million or 9.8%, resulting from more expensive crew travel, quarantine and other pandemic-related manning costs, which was mainly due to the impact of COVID-19.

Gross profit and gross profit margin

Our Group's gross profit decreased sharply by approximately US$4.1 million or 46.1%, from approximately US$8.9 million for the six months ended 30 June 2020 to approximately US$4.8 million for the six months ended 30 June 2021. Such decrease was mainly due to the decrease in the gross profit generated from asphalt tanker chartering services, but partially offset by the increase in the gross profit generated from two second-hand Capesize vessels operated under bulk carrier time charter.

Besides, our overall gross profit margin decreased dramatically from approximately 30.2% for the six months ended 30 June 2020 to approximately 19.2% for the six months ended 30 June 2021, which was mainly attributable to the decline in gross profit margin from asphalt tanker chartering services.

Our gross profit generated from asphalt tanker time charters services decreased by approximately US$2.4 million or 74.4% for the six months ended 30 June 2021, and its gross profit margin dropped by approximately 19.3 percentage points. Such decrease was in line with the decline in revenue from asphalt tanker time chartering by approximately 25.0%, and also the increase in crew expenses due to the impact of COVID-19.

Our gross profit from asphalt tanker voyage charters and CoAs decreased by approximately US$2.5 million or 64.2% for the six months ended 30 June 2021, and its gross profit margin decreased by approximately 16.5 percentage points. Such decrease was mainly due to (i) the decline in revenue generated from asphalt tanker voyage charters and CoAs of approximately 16.3%, (ii) the increase in crew expenses due to the impact of COVID-19, and (iii) higher price of bunker market in the first half of 2021.

Our gross profit from bulk carrier time chartering services increased by approximately US$0.7 million or 36.7% for the six months ended 30 June 2021 mainly due to the aggregate of port charges and repair costs decreased by approximately US$0.7 million for the Periods Under Review, given our Group maintained stable revenue from bulk carrier chartering services. It was because such operating costs were incurred for the two second-hand Capesize vessels prior to the commencement of their time charter in the early of 2020, but less costs were incurred during the charter period in the six months ended 30 June 2021. Accordingly, its gross profit margin also increased by approximately 11.8 percentage points for the Periods Under Review.

Other income

Our other income decreased by approximately US$0.3 million or 87.4% from approximately US$0.4 million for the six months ended 30 June 2020 to approximately US$46,000 for the six months ended 30 June 2021. The decrease was mainly due to (i) the decrease in non-recurring insurance compensation income of approximately US$0.2 million in relation to the repair costs of vessels for the Periods Under Review and (ii) the decrease in net fair value gains on derivative financial instruments (including foreign currency forward contracts and interest rate swap contracts) of approximately US$0.1 million.

Administrative expenses

Our Group's administrative expenses increased by approximately US$0.3 million or 21.4% from approximately US$1.4 million for the six months ended 30 June 2020 to approximately US$1.7 million for the six months ended 30 June 2021, mainly due to the increase in staff costs (including directors' emoluments) of approximately US$0.2 million.

Other operating expenses

Our Group did not incur other operating expenses during the six months ended 30 June 2021. For the six months ended 30 June 2020, other operating expenses was approximately US$0.6 million, mainly in relation to the fair value losses on interest rate swap contracts and vessels repair costs.

Exchange gains, net

Our Group's net exchange gains decreased to approximately US$0.3 million for the six months ended 30 June 2021 from approximately US$0.6 million for the six months ended 30 June 2020, which was principally attributable to the exchange fluctuation of our Group's borrowings denominated in Singapore Dollars ("**SGD**"). United States dollars ("**USD**") appreciated against SGD by approximately 1.8% and 3.3% for the six months ended 30 June 2021 and 2020, respectively, resulting in exchange gains when translation of the borrowings denominated in SGD for the Periods Under Review. Besides, our Group gradually decreased the borrowings denominated in SGD from approximately US$13.2 million as at 31 December 2020 to approximately US$10.3 million as at 30 June 2021.

Finance costs

Our finance costs decreased by approximately US$1.0 million or 34.5% for the six months ended 30 June 2021 as compared to the same period of last year. The decrease was mainly due to gradual repayment of borrowings and lease liabilities during 2020 and the six months ended 30 June 2021.

Income tax expense

Income tax expense of approximately US$2,000 for the six months ended 30 June 2021 mainly represented under-provision for Singapore Corporate Income Tax in prior year. During the six months ended 30 June 2021, Singapore Corporate Income Tax has been provided at rate of 17%, but no provision for Singapore Corporate Income Tax was made for the six months ended 30 June 2020.

No provision for Hong Kong Profits Tax and PRC 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 decreased significantly by approximately US$3.5 million, or 70.0% to approximately US$1.5 million for the six months ended 30 June 2021 as compared to approximately US$5.0 million for the six months ended 30 June 2020, while our net profit margin also decreased to approximately 6.0% from approximately 16.9% for the respective periods. Such decrease in our profit for the Periods Under Review was primarily due to (i) the decrease in revenue generated from asphalt tanker chartering services of approximately US$4.9 million, mainly attributable to (a) the absence of a one-off compensation from early termination of the time charter agreement of a vessel, (b) off-hire during dry-docking as three vessels were required to dry-dock for passing the regular renewal or intermediate survey, and (c) off-hire due to the delay in shipping schedule as a result of a vessel carried out an temporary voyage repair in Japan instead of Shanghai due to the epidemic control measures in Shanghai; and (ii) the increase in crew expenses due to the impact of COVID-19.

FINANCIAL POSITION

As at 30 June 2021, our Group's total assets amounted to approximately US$208.5 million (31 December 2020: approximately US$212.5 million) with net assets amounting to approximately US$120.8 million (31 December 2020: approximately US$119.3 million). As at 30 June 2021, the gearing ratio (total debts divided by the total equity attributable to owners of our Company) of our Group was 0.68, representing a decrease of 9.3 percentage points as compared to that of 0.75 as at 31 December 2020. 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 0.61 as at 30 June 2021, representing a decrease of 7.6 percentage points as compared to that of 0.66 as at 31 December 2020. Current ratio of our Group was 0.41, representing a decrease of 8.9 percentage points as compared to that of 0.45 as at 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the liquidity position remained stable as compared to 31 December 2020. 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 an 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, borrowing and finance lease arrangement, as well as the net proceeds from the new shares issued.

As at 30 June 2021, our Group had net current liabilities of approximately US$19.7 million. Our Directors are confident that our Group has ability to continue to attain profitable and positive cash flows operations in the immediate and longer terms. In order to strengthen our liquidity in the foreseeable future, our Group has taken several measures, including but not limited to (i) negotiating with banks and other financial institutions in advance for renewal and obtaining new banking facilities or financing arrangement; (ii) our Group has been taking various cost control measures to tighten the costs of operations; and (iii) our Group has been implementing various strategies to enhance our Group's revenue and profitability. 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 in full its financial obligations as they fall due and accordingly the unaudited condensed consolidated financial information has been prepared on a going concern basis.

As at 30 June 2021, our Group's borrowings and lease liabilities of approximately US$82.3 million in aggregate, decreased by approximately US$6.6 million as compared to approximately US$88.9 million as at 31 December 2020, which was primarily due to repayment of debts financing by the profits generated from operations and general working capital.

As at 30 June 2021, our Group had pledged bank deposits and bank and cash balances of approximately US$8.7 million in aggregate, representing a decrease of approximately US$1.5 million as compared to approximately US$10.2 million as at 31 December 2020. Such cash outflows were mainly used for operations as well as the repayment of borrowings and lease liabilities. Our pledged bank deposits 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 2021, our Group's indebtedness mainly comprised of borrowings and lease liabilities of approximately US$34.9 million and US$47.4 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 2021, 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 2021 is as follows:

	Borrowings *US$'000*	**Lease liabilities** *US$'000*
Within one year	16,822	11,191
More than one year, but not exceeding two years	6,621	34,858
More than two years, but not more than five years	11,477	1,354
	34,920	47,403

As at 30 June 2021, our borrowings comprised of bank loans and other loans, amounting to approximately US$20.5 million and US$14.4 million, respectively.

Bank loans were obtained for the sole purpose of the construction of vessels. As at 30 June 2021, the bank loans were secured by the followings:

(a) mortgage over our Group's vessels;

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

(c) pledged bank deposits and restricted bank balances.

Other loans were obtained for the additional working capital of our Group. As at 30 June 2021, the other loans were secured by the followings:

(a) mortgage over our Group's vessels;

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

(c) restricted bank balances.

As at 30 June 2021, our lease liabilities of approximately US$47.3 million were secured by:

(a) charges over our Group's certain right-of-use assets;

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

(c) restricted bank balances; and

(d) shares of certain subsidiaries.

The remaining lease liabilities of approximately US$0.1 million was in relation to the office properties leases and was not secured by any collateral.

FOREIGN CURRENCY RISKS

Our Group has a certain exposure to foreign currency risk as some of our business transactions, assets and liabilities are denominated in currencies other than the functional currency of the respective Group entities such as SGD and Renminbi. Our Group has also 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 2021, 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$1.1 million and US$92.5 million, respectively. As at 30 June 2021, 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$100.7 million and US$2.3 million, respectively.

CAPITAL COMMITMENT

As at 30 June 2021, our Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 30 June 2021, 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 2021, our Group had a total of 35 employees of which 30 were located in the PRC, 2 were located in Hong Kong and 3 were located 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 2021 and 2020 were approximately US$0.9 million and US$0.7 million, respectively.

SIGNIFICANT INVESTMENT HELD

Our Group had not held any significant investments during the six months ended 30 June 2021.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2021, 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 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2021.

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 fully complied with the CG Code during the six months ended 30 June 2021.

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 all the Model Code during the six months ended 30 June 2021.

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, Dr. 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 2021, 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 2021 is unaudited, but has been reviewed by the auditor of the Company, RSM Hong Kong, 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 FROM THE SUBSCRIPTIONS

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 2021, the net proceeds from the Subscriptions remained unutilised and it is intended that they will be applied for general working capital of the Group in the next three years as follows:

	Proposed use of proceeds as disclosed in the announcement of the Company dated 19 May 2020	**Utilised up to 30 June 2021**	**Unutilised up to 30 June 2021**
	HK$	*HK$*	*HK$*
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 of the Company 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, 26 August 2021

As at the date of this announcement, Mr. Wang Faqing, Mr. Xu Wenjun, Mr. Ding Yuzhao, Mr. Chen Ming and Mr. Lin Shifeng are the executive Directors, and Dr. Lai Guanrong, Mr. Suen Chi Wai and Mr. Xu Jie are the independent non-executive Directors.