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XIN YUAN ENTERPRISES GROUP LIMITED
信源企業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1748)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 ("**Year Under Review**"), together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	**2021** ***US$'000***	2020 *US$'000*
Revenue	*4*	**52,331**	55,973
Cost of sales		**(44,022)**	(39,309)
Gross profit		**8,309**	16,664
Other income	*5*	**1,299**	634
Administrative expenses		**(3,664)**	(3,199)
Other operating expenses		**(1,034)**	(596)
Exchange gains/(losses), net		**417**	(89)
Profit from operations		**5,327**	13,414
Finance costs	*7*	**(3,596)**	(4,806)
Profit before tax		**1,731**	8,608
Income tax expense	*8*	**(10)**	(5)
Profit for the year	*9*	**1,721**	8,603
Earnings per share	*11*		
Basic (cents per share)		**0.39**	2.03
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	US$'000	*US$'000*
Profit for the year	**1,721**	8,603
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**2**	(15)
Other comprehensive income for the year, net of tax	**2**	(15)
Total comprehensive income for the year	**1,723**	8,588

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 US$'000	2020 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**113,455**	95,383
Right-of-use assets		**77,872**	103,206
Total non-current assets		**191,327**	198,589
Current assets			
Derivative financial instruments		**–**	230
Inventories		**2,165**	1,409
Trade receivables	*12*	**1,299**	1,462
Other receivables, deposits and prepayments		**463**	586
Contract assets		**–**	76
Pledged bank deposits		**1,399**	1,398
Bank and cash balances		**3,846**	8,775
Total current assets		**9,172**	13,936
TOTAL ASSETS		**200,499**	212,525
EQUITY AND LIABILITIES			
Share capital	*13*	**4,400**	4,400
Reserves		**116,630**	114,907
Total equity		**121,030**	119,307
LIABILITIES			
Non-current liabilities			
Borrowings		**23,620**	30,747
Lease liabilities		**14,332**	31,171
Total non-current liabilities		**37,952**	61,918

	Note	2021	2020
		US$'000	*US$'000*
Current liabilities			
Derivative financial instruments		**160**	508
Contract liabilities		**257**	532
Borrowings		**17,058**	12,787
Lease liabilities		**17,121**	14,184
Trade payables	*14*	**5,898**	1,909
Other payables and accruals		**1,023**	1,380
Total current liabilities		**41,517**	31,300
TOTAL EQUITY AND LIABILITIES		**200,499**	212,525
Net current liabilities		**(32,345)**	(17,364)
Total assets less current liabilities		**158,982**	181,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Xin Yuan Enterprises Group Limited (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, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. The Company's share are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in vessel owning and chartering services.

2. BASIS OF PREPARATION

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 Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

At 31 December 2021, the Group had net current liabilities of approximately US$32,345,000. 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 discharges its liabilities in the normal course of business.

In preparing these 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:

(i) On 30 December 2021, the Group entered into a two-year US$4,000,000 loan facilities with a related company. As at 31 December 2021, the Group has utilised US$300,000 of the aforesaid facilities;

(ii) On 4 March 2022, the Group entered into a finance lease agreement of US$16,000,000 with a financial institution;

(iii) negotiating with banks and other financial institutions in advance for renewal and obtaining new banking facilities;

(iv) the directors of the Company have been taking various cost control measures to tighten the costs of operations; and

(v) the Group has been implementing various strategies to enhance the Group's revenue and profitability.

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, and have concluded that the Group will have sufficient working capital to meet in full its financial obligations as they fall due and accordingly the 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 consolidated 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.

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 HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phrase 2

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phrase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform").

The Group had certain interest-bearing other loan and lease liabilities (the "**Other Liabilities**") denominated in United States dollars based on the London Interbank Offered Rate ("**LIBOR**") as at 31 December 2021. Since the interest rate of the Other Liabilities was not replaced by an alternative benchmark rate during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rate of the Other Liabilities is replaced by an alternative benchmark rate in a future period, the Group will apply this practical expedient upon the modification of the Other Liabilities provided that the "economically equivalent" criterion is met.

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination — Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

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

	2021	2020
	US$'000	*US$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Voyage charter and CoA, recognised over time	**26,986**	23,332
Revenue from other sources		
— Time charter	**25,345**	32,641
	52,331	55,973

5. OTHER INCOME

	2021	2020
	US$'000	*US$'000*
Bank interest income	**3**	26
Compensation income	**1,162**	426
Net fair value gains on derivative financial instruments	**118**	8
Gain on disposal of derivative financial instruments	**–**	9
Gain on disposal of property, plant and equipment	**3**	–
Government grants *(Note)*	**10**	45
Sundry income	**3**	120
	1,299	634

Note: During the year, the Group recognised government grants in respect of COVID-19 related subsidies provided by the government of Singapore (2020: from government of Singapore and Hong Kong).

6. SEGMENT INFORMATION

The Group has three operating segments as follows:

Asphalt tanker chartering services	—	Provision of asphalt tanker chartering services
Bulk carrier chartering services	—	Provision of bulk carrier chartering services
Asphalt trading	—	Trading of asphalt

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include unallocated interest revenue, unallocated interest expenses, unallocated corporate income and unallocated corporate expenses.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about operating segment profit or loss, assets and liabilities:

	Asphalt tanker chartering services	**Bulk carrier chartering services**	**Asphalt trading**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Year ended 31 December 2021:				
Revenue from external customers	**41,851**	**10,480**	**–**	**52,331**
Segment profit/(loss)	**781**	**4,019**	**(8)**	**4,792**
Interest expenses	**2,966**	**576**	**–**	**3,542**
Depreciation	**8,316**	**1,791**	**–**	**10,107**
Income tax expense	**4**	**–**	**6**	**10**
Additions to segment non-current assets	**1,488**	**1,183**	**–**	**2,671**
As at 31 December 2021:				
Segment assets	**167,672**	**31,440**	**6**	**199,118**
Segment liabilities	**64,507**	**13,427**	**–**	**77,934**

	Asphalt tanker chartering services	Bulk carrier chartering services	Asphalt trading	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Year ended 31 December 2020:				
Revenue from external customers	45,329	10,644	–	55,973
Segment profit/(loss)	7,662	3,577	(3)	11,236
Interest expenses	3,846	929	–	4,775
Depreciation	8,963	1,819	–	10,782
Income tax expense	5	–	–	5
Additions to segment non-current assets	442	–	–	442
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:

	2021	2020
	US$'000	*US$'000*
Revenue		
Total revenue of reportable segments	**52,331**	55,973
Profit or loss		
Total profit or loss of reportable segments	**4,792**	11,236
Unallocated interest revenue	**1**	1
Unallocated interest expenses	**(54)**	(31)
Unallocated corporate income	**4**	62
Unallocated corporate expenses	**(3,022)**	(2,665)
Consolidated profit for the year	**1,721**	8,603

Reconciliations of segment assets and liabilities:

	2021	2020
	US$'000	*US$'000*
Assets		
Total assets of reportable segments	**199,118**	207,676
Unallocated amounts:		
Other corporate assets	**1,381**	4,849
Consolidated total assets	**200,499**	212,525
Liabilities		
Total liabilities of reportable segments	**77,934**	89,991
Unallocated amounts:		
Other corporate liabilities	**1,535**	3,227
Consolidated total liabilities	**79,469**	93,218

Geographical information:

Revenue

The Group's business is managed on a worldwide basis. The revenue generated from provision of asphalt tanker chartering services and provision of bulk carrier chartering services which are 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 2021 and 2020, over 99% of the Group's non-current assets are vessels.

The vessels are primarily utilised across geographical markets for shipment of liquid asphalt and dry bulk cargo 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:

	2021	2020
	US$'000	*US$'000*
Provision of asphalt tanker chartering services		
Customer A	**12,108**	15,125
Customer B *(Note (a))*	**10,348**	N/A
Customer C *(Note (b))*	**N/A**	6,644
Provision of bulk carrier chartering services		
Customer D *(Note (a))*	**5,346**	N/A

Notes:

(a) Revenue from Customer B and Customer D represented less than 10% of the Group's revenue for the year ended 31 December 2020.

(b) Revenue from Customer C represented less than 10% of the Group's revenue for the year ended 31 December 2021.

7. FINANCE COSTS

	2021	2020
	US$'000	*US$'000*
Interest expenses on lease liabilities	**1,668**	2,600
Interest rate swap expenses	**281**	304
Interests on borrowings	**1,647**	1,902
	3,596	4,806

8. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	2021	2020
	US$'000	*US$'000*
Current tax — Hong Kong Profits Tax		
Underprovision in prior year	**6**	–
Current tax — Singapore Corporate Income Tax		
Underprovision in prior year	**4**	5
Income tax expenses	**10**	5

The Group mainly operates in Hong Kong, the PRC and Singapore. During the years ended 31 December 2020 and 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 year ended 31 December 2021.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2021	2020
	US$'000	*US$'000*
Profit before tax	**1,731**	8,608
Tax at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	**286**	1,420
Tax effect of income that is not taxable	**(8,945)**	(9,379)
Tax effect of expenses that are not deductible	**8,437**	7,715
Tax effect of tax losses not recognised	**342**	361
Effect of different tax rates of subsidiaries	**(120)**	(117)
Underprovision in prior year	**10**	5
Income tax expense	**10**	5

As at 31 December 2021, the Group has unused tax losses of approximately US$4,867,000 (2020: US$3,277,000) available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams from those loss making subsidiaries. The aforesaid unused tax losses of the Group have not yet been agreed by respective tax authorities. The expiry date of unrecognised tax losses are summarised as follows:

	2021	2020
	US$'000	*US$'000*
On 31 December 2022	**46**	43
On 31 December 2023	**842**	789
On 31 December 2024	**1,071**	1,003
On 31 December 2025	**1,539**	1,442
On 31 December 2026	**1,369**	–
	4,867	3,277

9. PROFIT FOR THE YEAR

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

	2021	2020
	US$'000	US$'000
Auditors' remuneration	**153**	154
Allowance for other receivables	**–**	204
Depreciation of property, plant and equipment	**6,426**	5,079
Depreciation of right-of-use assets	**3,867**	5,858
Exchange (gains)/losses, net	**(417)**	89
Fair value gains on derivative financial instruments, net	**(118)**	(8)
Gain on disposal of property, plant and equipment	**(3)**	–
Gain on disposal of derivative financial instruments	**–**	(9)
Write-off of trade receivables	**–**	38
Write-off of other receivables	**–**	183

10. DIVIDEND

The directors do not recommend the payment of a dividend (2020: Nil).

11. EARNINGS PER SHARE

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

	2021	2020
	US$'000	*US$'000*
Earnings		
Profit for the year attributable to owners of the Company	**1,721**	8,603
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares	**440,000**	423,169

No diluted earnings per share was presented for the year ended 31 December 2021 (2020: Nil) as there was no potential ordinary share outstanding.

12. TRADE RECEIVABLES

For time charter, the Group generally receives monthly prepayments 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 payments within three business days after completion of cargo discharging. For demurrage claims, the balances are 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:

	2021	2020
	US$'000	*US$'000*
0 to 30 days	**1,299**	1,462
Over 30 days	**–**	–
	1,299	1,462

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

13. SHARE CAPITAL

	Number of shares	Amount
		US$'000
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021 (US$0.01 each)	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2020	400,000,000	4,000
Issue of shares (Note)	40,000,000	400
At 31 December 2020, 1 January 2021 and 31 December 2021 (US$0.01 each)	440,000,000	4,400

Note: On 19 May 2020, the Company entered into two subscription agreements (the "Subscription Agreements") with Forever Win Asia Trading Limited and Profit Source HK Trading Limited (the "Subscribers"), pursuant to the Subscription Agreements, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, an aggregate of 40,000,000 subscription shares (the "Subscription Shares") at the subscription price of HK$1.092 per Subscription Share for an aggregate cash consideration of HK$43,680,000 (equivalent to approximately US$5,628,866). The subscription was completed on 3 June 2020.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The only externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules. As at 31 December 2021, over 25% (2020: over 25%) of the shares were in public hands.

14. TRADE PAYABLES

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

	2021	2020
	US$'000	*US$'000*
0 to 30 days	**4,243**	1,695
31 to 60 days	**1,455**	150
Over 60 days	**200**	64
	5,898	1,909

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 December 2021, our Group recorded revenue of approximately US$52.3 million, representing a decrease of 6.6% compared with the 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 Year 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 five vessels are operated under asphalt tanker time charters, five 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. Those vessels operated under time charters are chartered to customers with high performance capabilities on a long-term basis ranging from one to three 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.

At the beginning of 2022, affected by Chinese holidays and the Winter Olympics, the domestic demand has seasonal downturn in the People's Republic of China (the "PRC"). The asphalt price has not been significantly increased, despite the global crude oil price continues demonstrating high volatility. Under these adverse situations, and asphalt with low margins as compared to crude oil, the supply of asphalt begins to slow down. On the whole, the asphalt trade activities was at a flat level in the first two months, and the asphalt shipping market weakened.

According to the work report of the 13th National People's Congress, a strategy is adopted to expand domestic demand and accelerate the transformation of the economic growth model, that notably developing infrastructure investment, major in transportation and water conservancy projects and increase the national railway development capital, which may result in the growing asphalt demand. As at the same time, the 14th Five Year Plan has set a new pace for decarbonisation for achieving peak carbon emission before 2030 and carbon neutrality by 2060. This puts pressure on the growing national refinery industry. We expect that further regulations and reduction on production capacity may be imposed on domestic refineries. In the long run, the domestic asphalt supply will shrink and boosting imported asphalt, the impact on shipping seems to be positive.

Given the harsh reality faced by the global effort to contain COVID-19, though the vaccine rollout continues to accelerate in many countries, global human coexistence with fast mutating COVID-19 will be inevitable, and people have found ways to return to a semblance of normal life. The impact affecting the global and domestic economy by COVID-19 is expected to lessen gradually, the operating costs of vessels for the epidemic prevention measures may decrease accordingly.

Despite there was strong freight rates of dry bulk market in 2021, one of the key factors was inefficient supply of shipping capacity to customers, with ships being tied up longer at ports due to COVID-19 restrictions and disruptions. Looking forward 2022, dry bulk market is expected to increase driven by low supply of shipping capacity, rising fuel price and strong demand for most dry bulk commodities, while freight rates may face correction when vaccines reduce pandemic impacts. With the end of the rainy season, the iron ore export of Brazil is expected to improve, in light of the prices of dry bulk commodities remain high. Also, the bauxite production from Guinea will continue to expand. Although the coal demand is greatly affected by the policies and weather, there is increasing likelihood for growth of domestic production and imports in response to the shortages. The limited orderbook continues to lower fleet growth in short term, thus the overall expected demand growth may exceed capacity growth.

Nowadays, we are facing many challenges and uncertainties, including the effects of global economic situation, geopolitical and trade risks, and the ever-evolving global health landscape, also the war between Russia and Ukraine has brought uncertainty to the markets. Nonetheless, we remain optimistic about our business prospects.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, our revenue decreased to approximately US$52.3 million by approximately US$3.7 million or 6.6% from approximately US$56.0 million for the year ended 31 December 2020. For the Year 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$7.1 million or 32.3% from approximately US$22.0 million for the year ended 31 December 2020 to approximately US$14.9 million for the year ended 31 December 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 year ended 31 December 2020 in the Year Under Review, (iv) the decline in revenue from Zhuang Yuan Ao and Lilstella of approximately US$5.9 million in aggregate as they have been changed from time charter to voyage charter since January 2021 and May 2021, respectively, but partially offset by (v) the revenue from Orcstella increased by approximately US$1.1 million for the Year Under Review, as it has been changed operation from voyage charter to time charter during the first half of 2021.

Revenue generated from asphalt tanker voyage charter, and CoAs also increased by approximately US$3.7 million or 15.9% from approximately US$23.3 million for the year ended 31 December 2020 to approximately US$27.0 million for the year ended 31 December 2021, was mainly due to (i) the increase in revenue from Zhuang Yuan Ao and Lilstella of approximately US$5.9 million and US$2.4 million, respectively, as they have been changed from time charter to voyage charter since January 2021 and May 2021, but partially offset by (ii) the decline in revenue from Orcstella by approximately US$3.4 million for the Year Under Review, as it has been changed operation from voyage charter to time charter during the first half of 2021, and (iii) 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.

During the Year 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$10.5 million and US$10.6 million for the year ended 31 December 2021 and 2020, respectively.

Cost of sales

Our cost of sales increased by approximately US$4.7 million or 12.0%, from approximately US$39.3 million for the year ended 31 December 2020 to approximately US$44.0 million for the year ended 31 December 2021. However, such increase was not proportionally with the decrease in revenue of approximately 6.6%, due to particular adverse situations, including (i) the increase in crew expenses due to the impact of COVID-19, (ii) the significant increase in bunker price and (iii) the increase in dry-docking costs as four vessels were required to dry-dock for passing the regular renewal or intermediate survey.

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

(i) our bunker fees recorded an increase of approximately US$2.8 million or 50.0%, as the global bunker indices have shown a moderate uptrend, the average bunker price increased by approximately 40% to 50% in 2021 as compared with 2020;

(ii) our crew expenses recorded an increase of approximately US$1.9 million or 15.1%, resulting from more expensive crew change, quarantine and other pandemic-related manning costs, which was mainly due to the impact of COVID-19; and

(iii) our port charge increased by approximately US$0.3 million, which was mainly due to the increase in operations of asphalt tanker voyage charter;

but partially offset by

(iv) our depreciation recorded a decrease of approximately US$0.7 million or 6.3%, mainly due to the fact that certain dry docking have been fully depreciated in prior year.

Gross profit and gross profit margin

Our Group's gross profit decreased sharply by approximately US$8.4 million or 50.3%, from approximately US$16.7 million for the year ended 31 December 2020 to approximately US$8.3 million for the year ended 31 December 2021. Such decrease was mainly due to the decrease in the gross profit generated from asphalt tanker chartering services.

Besides, our overall gross profit margin decreased dramatically from approximately 29.8% for the year ended 31 December 2020 to approximately 15.9% for the year ended 31 December 2021, which was mainly attributable to the decline in gross profit margin from asphalt tanker chartering services, in particular, resulting from the adverse market factors.

Our gross profit generated from asphalt tanker time charters services decreased by approximately US$4.2 million or 75.0% for the year ended 31 December 2021, and its gross profit margin dropped by approximately 16.1 percentage points. Such decrease was in line with the decline in revenue from asphalt tanker time chartering by approximately 32.3%, 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$4.2 million or 65.5% for the year ended 31 December 2021. Such decrease was mainly due to (i) the increase in crew expenses due to the impact of COVID-19, and (ii) significant rise of bunker price market in 2021, but partially offset by (iii) the increase in revenue generated from asphalt tanker voyage charters and CoAs of approximately 15.9%. Accordingly, its gross profit margin decreased by approximately 19.3 percentage points.

Our gross profit from bulk carrier time chartering services slightly increased by approximately US$97,000 or 2.1% for the year ended 31 December 2021, and its gross profit margin also increased by approximately 1.7 percentage points for the Year Under Review. It was mainly attributable to (i) the aggregate of port charges and repair costs decreased by approximately US$0.6 million for the Year Under Review, given our Group maintained stable revenue from bulk carrier chartering services, and 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 2021; but partially offset by (ii) the increase in crew expenses due to the impact of COVID-19.

Other income

Our other income increased by approximately US$0.7 million or 116.7% from approximately US$0.6 million for the year ended 31 December 2020 to approximately US$1.3 million for the year ended 31 December 2021. The increase was mainly due to (i) the increase in non-recurring insurance compensation income of approximately US$0.7 million in relation to the repair costs of vessels for the Year Under Review; and (ii) the increase 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$0.5 million or 15.6% from approximately US$3.2 million for the year ended 31 December 2020 to approximately US$3.7 million for the year ended 31 December 2021, mainly due to the increase in staff costs (including directors' emoluments) of approximately US$0.3 million.

Other operating expenses

Our Group recorded other operating expenses of approximately US$1.0 million, mainly in relation to an accident related costs of a vessel, for the year ended 31 December 2021. For the year ended 31 December 2020, other operating expenses was approximately US$0.6 million, mainly in relation to the allowance for other receivables and vessels repair costs.

Exchange gains, net

Our Group recorded net exchange gains of approximately US$0.4 million for the year ended 31 December 2021, while net exchange losses of approximately US$89,000 for the year ended 31 December 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 2.0% for the year ended 31 December 2021, but depreciated against SGD by approximately 2.2% for the year ended 31 December 2020, respectively, resulting in exchange gains for the year ended 31 December 2021 but exchange losses for the year ended 31 December 2020, when translation of the borrowings denominated in SGD. Besides, our Group gradually decreased the borrowings denominated in SGD from approximately US$13.2 million as at 31 December 2020 to approximately US$8.3 million as at 31 December 2021.

Finance costs

Our finance costs decreased by approximately US$1.2 million or 25.2% for the year ended 31 December 2021 as compared with same period last year. The decrease was mainly due to gradual repayment of borrowings and lease liabilities during the prior and current year.

Income tax expense

Income tax expense of approximately US$10,000 and US$5,000 was recognised for the years ended 31 December 2021 and 2020, respectively, mainly represented under-provision for Hong Kong Profits tax and Singapore Corporate Income Tax in prior year for the year ended 31 December 2021 and 2020, respectively. For the years ended 31 December 2021 and 2020, Singapore Corporate Income Tax has been provided at rate of 17%.

No provision for Hong Kong Profits Tax and PRC Corporate Income Tax was made since our Group has no assessable profit for the year ended 31 December 2021.

Profit for the year

Our profit for the Year Under Review decreased significantly by approximately US$6.9 million or 80.2% from approximately US$8.6 million for the year ended 31 December 2020 to approximately US$1.7 million for the year ended 31 December 2021, while our net profit margin also decreased from approximately 15.4% to approximately 3.3% for the respective years. Such decrease in our profit for the Year Under Review was primarily due to (i) the decrease in revenue generated from asphalt tanker chartering services of approximately US$3.4 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 four 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; (ii) the increase in bunker fee due to the significant rise of global bunker price; and (iii) the increase in crew expenses due to the impact of COVID-19.

FINANCIAL POSITION

As at 31 December 2021, our Group's total assets amounted to approximately US$200.5 million (2020: US$212.5 million) with net assets amounting to approximately US$121.0 million (2020: US$119.3 million). As at 31 December 2021, the gearing ratio (total debts divided by the total equity attributable to owners of our Company) of our Group was 0.60, representing a decrease of 20.0 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 0.55 as at 31 December 2021, representing a decrease of 16.7 percentage points as compared to that of 0.66 as at 31 December 2020. As at 31 December 2021, current ratio of our Group was 0.22, representing a decrease of 51.1 percentage points as compared to that of 0.45 as at 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2021, the liquidity position gradually decreased due to the repayment of borrowings and lease liabilities, on the other hand, the gearing ratio was improving. 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 and from the net proceeds of the new shares issued in prior year.

As at 31 December 2021, our Group had net current liabilities of approximately US$32.3 million. Our Directors are confident that our Group has the 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) on 30 December 2021, our Group entered into a two-year US$4.0 million loan facilities with a related company, in which US$0.3 million has been utilised as at 31 December 2021; (ii) our Group entered into a finance lease arrangement of US$16.0 million with a financial institution on 4 March 2022; (iii) negotiating with banks and other financial institutions in advance for renewal and obtaining new banking facilities or financing arrangement; (iv) our Group has been taking various cost control measures to tighten the costs of operations; and (v) 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 consolidated financial statements has been prepared on a going concern basis.

As at 31 December 2021, our Group's borrowings and lease liabilities of approximately US$72.1 million in aggregate, decreased by approximately US$16.8 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 31 December 2021, our Group had pledged bank deposits and bank and cash balances of approximately US$5.2 million in aggregate, representing a decrease of approximately US$5.0 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 31 December 2021, our Group's indebtedness mainly comprised of borrowings and lease liabilities of approximately US$40.6 million and US$31.5 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 year ended 31 December 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 31 December 2021 is as follows:

	Borrowings *US$'000*	**Lease liabilities** *US$'000*
Within one year	17,058	17,121
More than one year, but not exceeding two years	8,959	14,256
More than two years, but not more than five years	14,335	76
More than five years	326	—
	40,678	31,453

As at 31 December 2021, our borrowings comprised of bank loans, other loans and loans from a related company, amounting to approximately US$16.7 million, US$23.6 million and US$0.3 million, respectively.

Bank loans were obtained for the sole purpose of the construction of vessels. As at 31 December 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 31 December 2021, the other loans were secured by the followings:

(a) Mortgage/Charge over our Group's vessels;

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

(c) Restricted bank balances; and

(d) Shares of subsidiaries.

As at 31 December 2021, our lease liabilities of approximately US$31.2 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$0.3 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 31 December 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$1.5 million and US$112.9 million, respectively. As at 31 December 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$77.6 million and US$0.6 million, respectively.

CAPITAL COMMITMENT

As at 31 December 2021, our Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 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, educational 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 2021, our Group had a total of 36 employees of which 31 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 years ended 31 December 2021 and 2020 were approximately US$2.1 million and US$1.8 million, respectively.

SIGNIFICANT INVESTMENT HELD

Our Group had not held any significant investments during the year ended 31 December 2021.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2021, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by our Group.

EVENTS AFTER THE REPORTING PERIOD

On 4 March 2022, our Group entered into a finance lease agreement of US$16.0 million for the additional working capital of our Group. The lease is repayable in three years, interest bearing and secured by the followings:

(i) charge over a vessel of our Group;

(ii) corporate guarantee provided by our Company;

(iii) restricted bank balance; and

(iv) 100% of the shares of a subsidiary.

Further on 9 March 2022, our Group received US$9,500,000, the net amount after repayment of other loan, from the financial institution.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme on 6 September 2018 and which became effective on 26 September 2018. Under the share option scheme, the eligible participants of the scheme, including Directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Unless otherwise cancelled or amended, the scheme will remain in force for 10 years from that date. No share option had ever been granted under the scheme since its adoption.

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 31 December 2021.

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). An analysis of the amount utilised up to 31 December 2021 is set out below:

	Proposed use of proceeds as disclosed in the announcement of the Company dated 19 May 2020	Un-utilised as at 1 January 2021	Utilised during the year ended 31 December 2021	Un-utilised as at 31 December 2021
	HK' million	*HK' million*	*HK' million*	*HK' million*
General working capital	43.3	43.3	15.0	28.3

The net proceeds from the Subscriptions were used or are proposed to be used as intended, as set out in the Company's announcement dated 19 May 2020. The un-utilised net proceed of approximately HK$28.3 million as at 31 December 2021 is to be utilised in the next two years.

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 applicable code provisions of the CG Code during the year ended 31 December 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 the Directors. All Directors have confirmed, following specific enquiries by the Company that they have complied with the Model Code throughout the year ended 31 December 2021.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2021.

SCOPE OF WORK OF RSM HONG KONG

The financial figures in respect of our 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 2021 as set out in this announcement have been agreed by our Group's auditors, RSM Hong Kong, to the amounts set out in our 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 Tuesday, 21 June 2022, the register of members of the Company will be closed from Thursday, 16 June 2022 to Tuesday, 21 June 2022, both days inclusive, during which 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15 June 2022.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee, comprising all the non-executive Directors, has reviewed our Group's consolidated results for the year ended 31 December 2021 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
CHEN Ming
Chairman

Hong Kong, 25 March 2022

As at the date of this announcement, Mr. Chen Ming, Mr. Chen Jiagan, Mr. Xu Wenjun, Mr. Ding Yuzhao and Mr. Lin Shifeng are the executive Directors, and Mr. Wei Shusong, Mr. Suen Chi Wai and Mr. Xu Jie are the independent non-executive Directors.