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 MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS

The Board is pleased to present the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023, together with the comparative figures for the six months ended 30 June 2022 as follows:

Financial Summary

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	**30,064**	33,233
Cost of sales	**(20,576)**	(24,877)
Gross profit	**9,488**	8,356
Profit from operations	**8,463**	6,494
Finance costs	**(2,927)**	(1,939)
Profit for the period	**5,534**	4,554

	As of	
	30 June 2023	31 December 2022
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Financial Positions		
Non-current assets	**165,264**	169,928
Current assets	**35,055**	42,723
Non-current liabilities	**42,233**	47,803
Current liabilities	**20,899**	32,970
Net assets	**137,187**	131,878

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Note	***US$'000***	*US$'000*
		(unaudited)	(unaudited)
Revenue	*5*	**30,064**	33,233
Cost of sales		**(20,576)**	(24,877)
Gross profit		**9,488**	8,356
Other income		**699**	267
Other gains and losses		**162**	332
Administrative expenses		**(1,786)**	(2,095)
Other operating expenses		**(100)**	(366)
Profit from operations		**8,463**	6,494
Finance costs		**(2,927)**	(1,939)
Profit before tax		**5,536**	4,555
Income tax expense	*6*	**(2)**	(1)
Profit for the period	*7*	**5,534**	4,554
Earnings per share			
Basic (cents per share)	*9*	**1.26**	1.04
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 2023

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit for the period	**5,534**	4,554
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(225)**	(23)
Other comprehensive income for the period, net of tax	**(225)**	(23)
Total comprehensive income for the period	**5,309**	4,531

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Note	**30 June 2023 US$'000 (unaudited)**	31 December 2022 US$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**149,116**	122,710
Right-of-use-assets		**16,148**	47,218
Total non-current assets		**165,264**	169,928
Current assets			
Derivative financial instruments		**–**	58
Inventories		**1,290**	1,777
Trade receivables	*11*	**1,106**	600
Other receivables, deposits and prepayments		**616**	570
Pledged bank deposits		**1,442**	1,412
Bank and cash balances		**30,601**	38,306
Total current assets		**35,055**	42,723
TOTAL ASSETS		**200,319**	212,651
EQUITY AND LIABILITIES			
Share capital		**4,400**	4,400
Reserves		**132,787**	127,478
Total equity		**137,187**	131,878

	Note	30 June 2023 US$'000 (unaudited)	31 December 2022 US$'000 (audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**41,693**	47,158
Lease liabilities		**540**	645
Total non-current liabilities		**42,233**	47,803
Current liabilities			
Borrowings		**11,755**	13,080
Lease liabilities		**4,761**	14,340
Trade payables	*12*	**2,219**	3,062
Other payables and accruals		**2,164**	2,488
Total current liabilities		**20,899**	32,970
Total liabilities		**63,132**	80,773
TOTAL EQUITY AND LIABILITIES		**200,319**	212,651
Net current assets		**14,156**	9,753
Total assets less current liabilities		**179,420**	179,681

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2022 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 2022.

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

The accounting policies applied in these condensed financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2022. 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 2023. They do not have a material effect on the Group's condensed consolidated interim financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 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. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The following table shows the carrying amounts and fair value of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements as at 31 December 2022			
Description	Level 1	Level 2	Level 3	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(audited)	(audited)	(audited)	(audited)
Recurring fair value measurement:				
Financial assets				
Interest rate swap contracts	–	58	–	58

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

Level 2 fair value measurements

Description	Valuation technique	Inputs	**30 June 2023** **Assets/ (liabilities)** ***US$'000*** **(unaudited)**	31 December 2022 Assets/ (liabilities) *US$'000* (audited)
Interest rate swap contracts	Discounted cash flows	Interest rate Discount rate	–	58

There were no changes in the valuation techniques used.

4. SEGMENT INFORMATION

	Asphalt tanker chartering services *US$'000* **(unaudited)**	**Bulk carrier chartering services** *US$'000* **(unaudited)**	**Total** *US$'000* **(unaudited)**
Six months ended 30 June 2023:			
Revenue from external customers	**27,385**	**2,679**	**30,064**
Segment profit	**6,271**	**405**	**6,676**
As at 30 June 2023:			
Segment assets	**162,618**	**15,074**	**177,692**
Segment liabilities	**49,020**	**13,116**	**62,136**

	Asphalt tanker chartering services *US$'000* (unaudited)	Bulk carrier chartering services *US$'000* (unaudited)	Total *US$'000* (unaudited)
Six months ended 30 June 2022:			
Revenue from external customers	26,099	7,134	33,233
Segment profit	3,348	2,676	6,024
	(audited)	(audited)	(audited)
As at 31 December 2022:			
Segment assets	177,996	15,622	193,618
Segment liabilities	64,860	14,049	78,909

Reconciliations of segment profit or loss:

	Six months ended 30 June	
	2023 *US$'000* **(unaudited)**	2022 *US$'000* (unaudited)
Total profit or loss of reportable segments	**6,676**	6,024
Unallocated interest revenue	**171**	–
Unallocated interest expense	**(40)**	(47)
Unallocated corporate income	**2**	10
Unallocated corporate expenses	**(1,275)**	(1,433)
Consolidated profit for the period	**5,534**	4,554

5. REVENUE

The Group's operations and main 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 services and timing of revenue recognition.

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
— Voyage charters and contract of affreightment ("**CoA**"), recognised over time	**11,999**	16,900
Revenue from other sources		
— Time charters	**18,065**	16,333
	30,064	33,233

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Current tax — Singapore Corporate Income Tax Underprovision in prior year	**2**	1

The Group mainly operates in Hong Kong, the People's Republic of China (the "**PRC**") and Singapore.

No provision for Hong Kong Profits Tax is required since the subsidiaries' income are derived from overseas sources which are not liable to Hong Kong Profits Tax or the subsidiaries have no assessable profit for the period (2022: Nil).

Singapore Corporate Income Tax has been provided at a rate of 17% (2022: 17%) except that the income of the subsidiaries in Singapore derived from vessel owning and chartering is exempted from Singapore Corporate Income Tax.

No provision for PRC Enterprise Income Tax was made since the subsidiaries in the PRC have no assessable profit for the period (2022: Nil).

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Depreciation on property, plant and equipment	**4,355**	3,395
Depreciation on right-of-use assets	**807**	1,992
Directors' emoluments	**327**	300
Exchange gains, net	**(220)**	(169)
Expenses relating to short-term leases	**13**	14
Fair value losses/(gains) on derivative financial instruments, net	**58**	(163)
Staff costs (including Directors' emoluments)	**1,132**	1,016

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend (six months ended 30 June 2022: Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**5,534**	4,554
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares	**440,000**	440,000

No diluted earnings per share was presented for the six months ended 30 June 2022 and 2023 as there was no potential ordinary share outstanding.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately US$507,000 (2022: US$1,053,000).

11. TRADE RECEIVABLES

For time charters, the Group generally receives monthly prepayment from customers. For voyage charters, 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. 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 2023	31 December 2022
	US$'000	*US$'000*
	(unaudited)	(audited)
0 to 30 days	**1,106**	600

12. TRADE PAYABLES

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

	30 June 2023	31 December 2022
	US$'000	*US$'000*
	(unaudited)	(audited)
0 to 30 days	**1,527**	2,074
31 to 60 days	**45**	373
Over 60 days	**647**	615
	2,219	3,062

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the Period Under Review, our Group recorded revenue of approximately US$30.1 million, representing a decrease of 9.5% compared with the same corresponding period in 2022, 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**").

Currently, we operate a fleet of eleven vessels with total capacity of approximately 290,000 dwt, of which eight vessels are operated under asphalt tanker time charters, two vessels are operated under asphalt tanker voyage charters or CoAs and the remaining one second-hand Capesize vessel is operated under a bulk carrier time charter. 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 listed energy companies based in the United States. Our Group has diversified our business and services and gradually developed our own customer 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 market. Hence, our Group maintains a variety of services types with a balanced approach to meet different demands in the market.

Although the asphalt tanker markets have faced challenges during the first half of 2023, our asphalt tanker chartering business has remained well-performing compared to last year. The asphalt tanker market in 2022 experienced a downturn in the first half of the year, but there was gradual improvement in market conditions from the second half of the year, and this positive trend continued in 2023. The average bunker prices dropped from the record high in mid-2022 to a lower level in 2023. Following the relaxation of COVID-19 prevention measures, the port restrictions and disruption of crew mobility no longer existed, the costs with these COVID-19 restrictions decreased accordingly.

We still maintain our outlook on the growing global asphalt shipping market in the next two years. According to the Frost & Sullivan report, the global asphalt shipping market is growing steadily. From the demand aspect, under the "Belt and Road Initiative" led by China, countries along the route have increased infrastructure construction, and European and American countries will increase their domestic infrastructure investment expenditure following the relaxation of COVID-19 restrictions. Another key driver is an improved outlook for the global economy, according to the International Monetary Fund, which forecasts growth in the global economy from 2023 to 2024. Additionally, we expect an increase in average sailing distances due to the change in trading patterns following the European Union's ban on Russian imports. Combining the above drivers, it is expected that the demand for asphalt tanker charters would increase steadily.

From the supply aspect, we believe the shortage of asphalt shipping capacity will continue in the next two years, as the orderbook for new tankers is currently at a lower level. The demand-supply imbalance is expected to tighten for asphalt tankers, and the freight rates and time charter rates are expected to increase. A combination of increased demand for asphalt and longer hauls is driving the tanker chartering market up.

During the first half of 2023, the bulk carrier business segment contributed steady revenue to our Group from the remaining Capesize vessel. We predict that global dry bulk demand will grow in the next few years, based on our expectation of the increase in the average haul and sailing distances due to Brazil's increasing exports and sanctions on Russian coal. For the bulk carrier market, we have seen a progressive weakening of freight rates, which the Baltic Dry Index decreasing to a lower level in early of 2023. We still maintain our positive view that this stable income will continue in the coming years.

Our business is exposed to various risks, uncertainties and unfavorable market factors. These include slower global economic growth, high inflation, tighter monetary policy, the high volatility in bunker price, trade restrictions and Russia-Ukraine war. The war disrupted the chances of global economic recovery from the COVID-19 pandemic, leading to economic sanctions on multiple countries, a surge in commodity prices and supply chain disruptions, affecting every market across the globe.

FINANCIAL REVIEW

Revenue

For the Period Under Review, our revenue decreased to approximately US$30.1 million by approximately US$3.1 million or 9.3% from approximately US$33.2 million for the six months ended 30 June 2022. For the Period Under Review, such decrease was mainly due to the decrease in bulk carrier time chartering services as a result of the cessation of contribution from a Capesize vessel, XYG Fortune upon its disposal in 2022.

Revenue generated from asphalt tanker time charters services increased significantly by approximately US$6.2 million or 67.4% from approximately US$9.2 million for the six months ended 30 June 2022 to approximately US$15.4 million for the six months ended 30 June 2023. Such increase was mainly attributable to three vessels, namely San Du Ao, Jastella and Lilstella, have changed their operation from voyage charters to time charters in 2022, and their contribution for time charters increased by approximately US$4.9 million for the Period Under Review.

Revenue generated from asphalt tanker voyage charters and CoAs decreased by approximately US$4.9 million or 29.0% from approximately US$16.9 million for the six months ended 30 June 2022 to approximately US$12.0 million for the six months ended 30 June 2023, mainly due to three vessels, namely San Du Ao, Jastella and Lilstella, have changed their operation from voyage charters to time charters in 2022, they contributed revenue generated from voyage charters of approximately US$8.8 million for the six months ended 30 June 2022, while none was generated for the Period Under Review, but offsetting by the increase of revenue from Rostella by approximately US$4.1 million for the Period Under Review as it has changed operation from time charters to voyage charters in early 2022.

During the Period Under Review, revenue from bulk carrier time chartering services decreased significantly to approximately US$2.7 million for the six months ended 30 June 2023 (solely generated from the remaining second-hand Capesize vessel), from US$7.1 million for the six months ended 30 June 2022, by approximately US$4.4 million or 62.0% due to the fact that the cessation of contribution from another Capesize vessel, XYG Fortune, upon its disposal in August 2022.

Cost of sales

Our cost of sales decreased by approximately US$4.3 million or 17.3%, from approximately US$24.9 million for the six months ended 30 June 2022 to approximately US$20.6 million for the six months ended 30 June 2023. Such decrease was in line with the decrease in revenue of approximately 9.3% and the cost saving from bunker fees, which mainly due to the combined effect of following factors:

(i) our bunker fees decreased by approximately US$3.1 million or 48.6%, as a result of the drop of global bunker indices, the average bunker price decreased by approximately 25% to 30% for the six months ended 30 June 2023 as compared to the same corresponding period in 2022;

(ii) our crew expenses recorded a decrease of approximately US$1.2 million or 15.2%, resulting from the resumption of normal for crew change and lessen quarantine and other pandemic-related manning costs after the COVID-19 pandemic, and no further sailor expenses were incurred for the disposed Capesize vessel during the Period Under Review; and

(iii) our depreciation was charged at a mild decrease of approximately US$0.2 million or 4.2%, mainly due to the fact that no depreciation of the disposed Capesize vessel was charged during the Period Under Review.

Gross profit and gross profit margin

Our Group's gross profit increased by approximately US$1.1 million or 13.1%, from approximately US$8.4 million for the six months ended 30 June 2022 to approximately US$9.5 million for the six months ended 30 June 2023. Such increase was mainly due to the increase in gross profit margin.

Our overall gross profit margin improved from approximately 25.1% for the six months ended 30 June 2022 to approximately 31.6% for the six months ended 30 June 2023, which was mainly attributable to the drop of bunker fee and the decrease in crew expenses resulting from the normalisation after the COVID-19 pandemic.

Our gross profit generated from asphalt tanker time charters services significantly increased by approximately US$2.7 million or 196.9% for the six months ended 30 June 2023. Such increase was mainly in line with the increase in revenue from asphalt tanker time chartering of approximately 67.4% and the increase in gross profit margin by approximately 11.4 percentage points due to the improvement of crew expenses spending level after the COVID-19 pandemic.

Our gross profit from asphalt tanker voyage charters and CoAs increased by approximately US$1.2 million or 34.7% for the six months ended 30 June 2023. Such increase was not in line with the decrease of revenue generated from asphalt tanker voyage charters and CoAs of approximately 29.0%, mainly because of the improvement of gross profit margin by approximately 18.1 percentage points attributable to the decrease in the aggregate of crew expenses and bunker fee of approximately US$4.6 million.

Our gross profit from bulk carrier time chartering services decreased by approximately US$2.7 million or 74.2% for the six months ended 30 June 2023, and its gross profit margin also decreased by approximately 16.0 percentage points for the Period Under Review. It was mainly due to the discontinuance of profit contribution from the disposed Capesize vessel, XYG Fortune following its disposal in August 2022.

Other income, and other gains or losses

Our aggregate other income, and other gains or losses increased by approximately US$0.3 million from approximately US$0.6 million for the six months ended 30 June 2022 to approximately US$0.9 million for the six months ended 30 June 2023. Such increase was mainly attributable to more interest income earned resulting from higher interest rate on bank balances during the Period Under Review and the impact of net foreign exchange fluctuation.

Our Group recorded net exchange gains maintained at approximately US$0.2 million for the six months ended 30 June 2022 and 2023, which was principally attributable to the exchange fluctuation of our Group's borrowings denominated in Singapore Dollars ("**SGD**"). USD appreciated against SGD by approximately 3.1% and 0.9% for the six months ended 30 June 2022 and 2023 respectively, resulting in exchange gains for the respective periods, when translation of the borrowings denominated in SGD. Besides, our Group gradually decreased the borrowings denominated in SGD from approximately US$4.6 million as at 31 December 2022 to approximately US$2.4 million as at 30 June 2023.

Administrative expenses

Our Group's administrative expenses decreased by approximately US$0.3 million or 14.3% from approximately US$2.1 million for the six months ended 30 June 2022 to approximately US$1.8 million for the six months ended 30 June 2023, primarily due to the handling charges of approximately US$0.3 million were incurred for the loan arrangements of two vessels in the first half of 2022, but no such financing arrangement was made during the Period Under Review.

Other operating expenses

Our Group's other operating expenses decreased from approximately US$0.4 million for the six months ended 30 June 2022, mainly in relation to accident-related costs of two vessels, to approximately US$0.1 million for the six months ended 30 June 2023, because no such non-recurring incidents occurred during the Period Under Review.

Finance costs

Our finance costs increased from approximately US$1.9 million for the six months ended 30 June 2022 to approximately to US$2.9 million for the six months ended 30 June 2023, mainly attributable to the combined effects of higher level of borrowings by the new proceeds from other loans in relation to the sale and leaseback financing arrangements of five vessels during 2022, and relatively higher interest rate during the Period Under Review.

Income tax expense

Income tax expense maintained at low level of approximately US$1,000 and US$2,000 for the six months ended 30 June 2022 and 2023, respectively, mainly represented under-provision in prior years. For the six months ended 30 June 2022 and 2023, Singapore Corporate Income Tax has been provided at the rate of 17% except that the income derived from vessel owning and chartering is exempted from Singapore Corporate Income Tax.

No provision for Hong Kong Profits Tax and PRC Corporate Income Tax was made since the income are derived from overseas sources which are not subject to tax or our Group has no assessable profit for the six months ended 30 June 2023 and 2022.

Profit for the period

Our profit for the Period Under Review increased by approximately US$0.9 million or 19.6% from approximately US$4.6 million for the six months ended 30 June 2022 to approximately US$5.5 million for the six months ended 30 June 2023, while our net profit margin also increased from approximately 13.7% to approximately 18.4% for the respective periods. Such increase in our profit for the Period Under Review was attributable to (i) the decrease in bunker fee due to the drop of global bunker price; (ii) the decrease in crew expenses due to the normalisation after the COVID-19 pandemic; but offsetting by (iii) the discontinuance of profit contribution from the disposed Capesize vessel, XYG Fortune since August 2022.

FINANCIAL POSITION

As at 30 June 2023, our Group's total assets amounted to approximately US$200.3 million (31 December 2022: US$212.7 million) with net assets amounting to approximately US$137.2 million (31 December 2022: US$131.9 million). As at 30 June 2023, the gearing ratio (total debts divided by the total equity attributable to owners of our Company) of our Group was 0.43, representing a decrease of 24.6% as compared to that of 0.57 as at 31 December 2022. Net debt to equity ratio (net debt, being our total debts net of bank and cash balances and pledged bank deposits, divided by total equity attributable to owners of our Company) of our Group was 0.19 as at 30 June 2023, representing a decrease of 29.6% as compared to that of 0.27 as at 31 December 2022. As at 30 June 2023, the current ratio of our Group was 1.68, representing an increase of 29.2% as compared to that of 1.30 as at 31 December 2022.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2023, the liquidity position has improved due to the stable profit growth and the gearing ratio slightly decreased. Our Group adopts a balanced approach to cash and financial management to ensure proper risk control and lower costs of funds, and seeks 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, borrowings and finance lease arrangements.

As at 30 June 2023, our Group's borrowings and lease liabilities were approximately US$58.8 million in aggregate, decreased by approximately US$16.4 million as compared to approximately US$75.2 million as at 31 December 2022, which was primarily due to the gradual repayment of debts financing by the profits generated from operations.

As at 30 June 2023, our Group had pledged bank deposits and bank and cash balances of approximately US$32.0 million in aggregate, representing a decrease of approximately US$7.7 million as compared to approximately US$39.7 million as at 31 December 2022. Such cash outflows were mainly a combined effect of the profits generated from operations and gradual 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 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 2023, our Group's indebtedness mainly comprised borrowings and lease liabilities of approximately US$53.4 million and US$5.3 million, respectively. Our borrowings are denominated in USD and SGD, while lease liabilities are mainly denominated in USD. Majority of the 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 2023, our Group used interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows.

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. As at 30 June 2023, our Group has no outstanding foreign currency forward contracts and interest rate swap contracts.

PLEDGE OF ASSETS

As at 30 June 2023, 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$3.3 million and US$116.1 million, respectively. As at 30 June 2023, the carrying amounts of vessels as right-of-use assets held by our Group and bank balances restricted from being used under finance lease arrangements amounted to approximately US$15.5 million and US$0.7 million, respectively.

CAPITAL COMMITMENT

As at 30 June 2023, our Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 30 June 2023, 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 experiences, 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 30 June 2023, our Group had a total of 41 employees, of which 33 were located in the PRC, three were located in Hong Kong and five 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 2023 and 2022 were approximately US$1.1 million and US$1.0 million, respectively.

SIGNIFICANT INVESTMENT HELD

Our Group had not held any significant investments during the six months ended 30 June 2023.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2023, there was neither material acquisition nor disposal of subsidiaries, associates and joint ventures by the 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 2023.

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 30 June 2023 is set out below:

	Proposed use of proceeds as disclosed in the announcement of the Company dated 19 May 2020	**Unutilised as at 1 January 2023**	**Utilised during the six months ended 30 June 2023**	**Unutilised as at 30 June 2023**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
General working capital	43.3	11.3	3.9	7.4

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 unutilised net proceeds of approximately HK$7.4 million as at 30 June 2023 are to be utilised in the second half of 2023.

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 2023.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there are no significant events affecting the Company and its subsidiaries which have occurred since 30 June 2023 and up to the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board is of the view that the Company has fully complied with the CG Code during the six months ended 30 June 2023.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY THE 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 enquiry by the Company, that they have complied with the Model Code during the six months ended 30 June 2023.

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, namely Mr. Suen Chi Wai ("**Mr. Suen**"), Mr. Wei Shusong and Mr. Xu Jie. Mr. Suen 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 2023, 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 2023 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 HKICPA.

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

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

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contributions to the Group.

DEFINITION

"Board"	the board of Directors
"Company"	Xin Yuan Enterprises Group Limited (信源企業集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1748)
"COVID-19"	Coronavirus disease 2019
"Director(s)"	director(s) of the Company
"dwt"	deadweight tonnages
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Period Under Review"	the financial period for the six months ended 30 June 2023
"PRC" or "China"	the People's Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Administrative Region of the People's Republic of China and Taiwan

“Share(s)”	ordinary share(s) of US$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US$” or “USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent

By order of the Board
XIN YUAN ENTERPRISES GROUP LIMITED
Chen Ming
Chairman

Hong Kong, 23 August 2023

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.