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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

INTERIM RESULTS

The Board is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2024, together with the comparative figures for the six months ended 30 June 2023 as follows:

Financial Summary

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Revenue	30,260	30,064
Cost of sales	(19,401)	(20,576)
Gross profit	10,859	9,488
Profit from operations	12,915	8,463
Finance costs	(2,222)	(2,927)
Profit for the period	10,688	5,534

	As of	
	30 June	31 December
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Financial Positions		
Non-current assets	144,075	162,030
Current assets	37,182	25,693
Non-current liabilities	34,280	47,784
Current liabilities	11,923	15,572
Net assets	135,054	124,367

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Note	US\$'000	US\$'000
		(unaudited)	(unaudited)
Revenue	4	30,260	30,064
Cost of sales		<u>(19,401)</u>	<u>(20,576)</u>
Gross profit		10,859	9,488
Other income		4,223	699
Other gains and losses		(40)	162
Administrative expenses		(2,127)	(1,786)
Other operating expenses		<u>—</u>	<u>(100)</u>
Profit from operations		12,915	8,463
Finance costs		<u>(2,222)</u>	<u>(2,927)</u>
Profit before tax		10,693	5,536
Income tax expense	5	<u>(5)</u>	<u>(2)</u>
Profit for the period	6	<u>10,688</u>	<u>5,534</u>
Earnings per share	8		
Basic (cents per share)		<u>2.43</u>	<u>1.26</u>
Diluted (cents per share)		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Profit for the period	<u>10,688</u>	<u>5,534</u>
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(1)</u>	<u>(225)</u>
Other comprehensive income for the period, net of tax	<u>(1)</u>	<u>(225)</u>
Total comprehensive income for the period	<u><u>10,687</u></u>	<u><u>5,309</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June 2024	31 December 2023
	<i>Note</i>	US\$'000	US\$'000
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	143,629	161,484
Right-of-use assets		446	546
		<hr/>	<hr/>
Total non-current assets		144,075	162,030
		<hr/>	<hr/>
Current assets			
Inventories		1,505	1,651
Trade receivables	10	826	333
Other receivables, deposits and prepayments		736	965
Bank and cash balances		34,115	22,744
		<hr/>	<hr/>
Total current assets		37,182	25,693
		<hr/>	<hr/>
TOTAL ASSETS		181,257	187,723
		<hr/>	<hr/>
EQUITY AND LIABILITIES			
Share capital		4,400	4,400
Reserves		130,654	119,967
		<hr/>	<hr/>
Total equity		135,054	124,367
		<hr/>	<hr/>

		30 June 2024	31 December 2023
	<i>Note</i>	US\$'000	US\$'000
		(unaudited)	(audited)
LIABILITIES			
Non-current liabilities			
Borrowings		33,916	47,323
Lease liabilities		364	461
		<hr/>	<hr/>
Total non-current liabilities		34,280	47,784
		<hr/>	<hr/>
Current liabilities			
Contract liabilities		129	130
Borrowings		8,387	10,902
Lease liabilities		183	185
Trade payables	<i>11</i>	1,570	1,581
Other payables and accruals		1,654	2,774
		<hr/>	<hr/>
Total current liabilities		11,923	15,572
		<hr/>	<hr/>
Total liabilities		46,203	63,356
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		181,257	187,723
		<hr/>	<hr/>
Net current assets		25,259	10,121
		<hr/>	<hr/>
Total assets less current liabilities		169,334	172,151
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2023 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 2023.

2. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants — Amendments to HKAS 1;
- Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause — HK Int 5 (Revised); and
- Lease Liability in Sale and Leaseback — Amendments to HKFRS 16.

As a result of the adoption of the amendments to HKAS 1, the Group changed its accounting policy for the classification of borrowings as below:

“Borrowings are classified as current liabilities unless at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.”

This new policy did not result in a change in the classification of the Group’s borrowings. The Group did not make retrospective adjustments as a result of adopting the amendments to HKAS 1.

(b) Impact of amended standards issued but not yet adopted by the Group

In September 2023, HKICPA amended HKAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. The management does not expect the amendment to have a material impact on the consolidated financial statements.

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

The Group has not early adopted any of the forthcoming amended standards in preparing these condensed consolidated interim financial statements.

3. SEGMENT INFORMATION

	Asphalt tanker chartering services US\$'000 (unaudited)	Bulk carrier chartering services US\$'000 (unaudited)	Total US\$'000 (unaudited)
Six months ended 30 June 2024:			
Revenue from external customers	29,361	899	30,260
Segment profit	8,549	3,780	12,329
As at 30 June 2024:			
Segment assets	165,645	49	165,694
Segment liabilities	45,362	–	45,362

	Asphalt tanker chartering services <i>US\$'000</i> (unaudited)	Bulk carrier chartering services <i>US\$'000</i> (unaudited)	Total <i>US\$'000</i> (unaudited)
Six months ended 30 June 2023:			
Revenue from external customers	27,385	2,679	30,064
Segment profit	<u>6,273</u>	<u>405</u>	<u>6,678</u>
	(audited)	(audited)	(audited)
As at 31 December 2023:			
Segment assets	160,323	13,956	174,279
Segment liabilities	<u>50,138</u>	<u>11,707</u>	<u>61,845</u>

Reconciliations of segment profit or loss:

	Six months ended 30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
Total profit or loss of reportable segments	12,329	6,678
Unallocated interest revenue	140	171
Unallocated interest expense	(29)	(40)
Unallocated corporate income	3	2
Unallocated corporate expenses	<u>(1,750)</u>	<u>(1,275)</u>
Consolidated profit before tax for the period	<u>10,693</u>	<u>5,536</u>

4. 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	
	2024	2023
	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	10,635	11,999
Revenue from other sources		
— Time charters	19,625	18,065
	30,260	30,064

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Current tax — Singapore Corporate Income Tax		
Underprovision in prior year	5	2

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 (2023: Nil).

Singapore Corporate Income Tax has been provided at a rate of 17% (2023: 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 (2023: Nil).

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	4,728	4,355
Depreciation of right-of-use assets	99	807
Directors' emoluments	418	327
Exchange losses/(gains), net	40	(220)
Expenses relating to short-term leases	13	13
Fair value losses on derivative financial instruments, net	–	58
Gain on disposal of property, plant and equipment	(3,644)	–
Staff costs (including Directors' emoluments)	1,195	1,132

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend (six months ended 30 June 2023: Nil).

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company	10,688	5,534
	'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 2023 and 2024 as there was no potential ordinary share outstanding.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group did not acquire any property, plant and equipment (2023: US\$507,000).

On 1 March 2024, the Group disposed of a vessel at a cash consideration of US\$16,950,000. The Group realised a gain on the disposal of property, plant and equipment of approximately US\$3,644,000 after deducting costs of disposal including commission fee and legal fee.

10. 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 2024 US\$'000 (unaudited)	31 December 2023 US\$'000 (audited)
0 to 30 days	826	333

11. TRADE PAYABLES

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

	30 June 2024 US\$'000 (unaudited)	31 December 2023 US\$'000 (audited)
0 to 30 days	853	1,073
31 to 60 days	225	12
Over 60 days	492	496
	1,570	1,581

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Our Group recorded revenue of approximately US\$30.3 million for the Period Under Review, representing a mere increase of 0.7% compared with the same corresponding period in 2023, 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”).

As at the date of this announcement, we operate a fleet of ten vessels with total capacity of approximately 92,000 dwt, of which seven vessels are operated under asphalt tanker time charters, three vessels are operated under asphalt tanker voyage charters or CoAs. The last second-hand Capesize vessel operated under a bulk carrier time charter during the Period Under Review has been disposed in March 2024, with a gain on disposal of approximately US\$3.6 million. On the other hand, our Group has entered into a shipbuilding contract in August 2024, to construct two vessels for expanding our asphalt tanker fleet, which are expected to deliver on or before December 2025 and March 2026 respectively. 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 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 advantages, our Directors believe that our Group is well-positioned to further develop our presence in the asphalt tanker chartering services market. Hence, our Group maintains a variety of services types with a balanced approach to meet different demands in the market.

The outlook for the international asphalt tanker chartering industry in the second half of 2024 can be analysed from the various aspects, global economic recovery and infrastructure construction demand, asphalt market supply and demand, industry development trends and environmental protection and sustainable development.

As the global economy gradually recovers, governments around the world, especially emerging markets and developing countries, are increasing investment in infrastructure such as transportation, water resources, and energy to promote economic development and improve people's livelihood. This will directly drive the demand for construction materials such as asphalt, and the emergence of new products such as environmentally friendly asphalt and modified asphalt will further expand market demand, thereby promoting the development of the asphalt shipping industry.

Based on the current market situation, asphalt supply is affected by various factors including crude oil prices, production costs, and capacity utilization rates. It is anticipated that in the second half of 2024, with fluctuations in crude oil prices and changes in refinery production profits, asphalt supply will remain relatively stable but may face certain limitations.

As the demand for asphalt increases, the asphalt shipping industry will face greater transportation needs. This requires the charter to improve transportation efficiency and reduce transportation costs to meet market demand. With the rise in global environmental awareness, the asphalt shipping industry will also pay more attention to environmental protection and sustainable development. The market players need to adopt more environmentally friendly transportation methods and packaging materials to reduce pollution and waste during transportation.

In March 2024, our Group finalised the sale of the last Capesize vessel, XYMG Noble, for approximately US\$17.0 million. Historically, our bulk carrier operations have generated consistent revenue. However, in alignment with our strategic review of market dynamics within the shipping sector, we have decided to realign our fleet composition. This divestiture is expected to improve our working capital and enhance liquidity, allowing for better asset management within our fleet.

As part of our ongoing commitment to providing high-quality chartering services, we have entered into contracts for the construction of two chemical/asphalt tankers, each with a 9,550 dwt, at an aggregate consideration of approximately US\$42 million. These new vessels are scheduled for delivery in 2025 and 2026, respectively. This expansion is aimed at bolstering our Group's footprint in the asphalt tanker chartering market and enhancing our overall competitive edge in the industry.

The asphalt tanker chartering sector is projected to continue its steady growth trajectory through the latter half of 2024. With the continuous advancement of global infrastructure construction and the growing demand for the asphalt market, this environment provides lucrative opportunities for the asphalt tanker chartering industry. On the other side, key obstacles confronting the asphalt tanker chartering services industry encompass escalating transportation expenses and fuel costs, heightened environmental regulations, and sharpening competition. It is crucial for us to actively track fluctuations in market demand and regulatory changes.

To effectively surmount the prevailing challenges and seize new opportunities, it is imperative that we diligently monitor market demand and regulatory shifts, place a high priority on technological innovation, and enhance our operational strategies and managerial practices. These steps are essential to elevate the quality of our chartering services and sustain a competitive edge in the market. This proactive approach will not only align with current market dynamics but also position us strategically for future growth and profitability.

FINANCIAL REVIEW

Revenue

For the Period Under Review, our revenue increased slightly to approximately US\$30.3 million by approximately US\$0.2 million or 0.7% from approximately US\$30.1 million for the six months ended 30 June 2023. For the Period Under Review, such increase was mainly due to the increase in revenue generated from asphalt tanker time charters attributable to increasing average daily charter rate but offsetting by the decrease in revenue generated from bulk carrier time chartering services as a result of the cessation of contribution from the last Capesize vessel upon its disposal in March 2024.

Revenue generated from asphalt tanker time charters services increased by approximately US\$3.3 million or 21.4% from approximately US\$15.4 million for the six months ended 30 June 2023 to approximately US\$18.7 million for the six months ended 30 June 2024. Such increase was mainly attributed to the average daily charter rate increasing during the Period Under Review and also attributable to a vessel has change its operation from voyage charters to time charters in 2023.

Revenue generated from asphalt tanker voyage charters and CoAs decreased by approximately US\$1.4 million or 11.7% from approximately US\$12.0 million for the six months ended 30 June 2023 to approximately US\$10.6 million for the six months ended 30 June 2024, mainly due to a vessel has changed its operation from voyage charters to time charters in 2023 resulting in the decrease in revenue generated from voyage charters of approximately US\$3.4 million for the Period Under Review, but offsetting by another vessel has changed its operation from time charters to voyage charters during the first half of 2024 with revenue of approximately US\$1.9 million generated from voyage charters for the Period Under Review.

During the Period Under Review, revenue from bulk carrier time chartering services decreased significantly to approximately US\$0.9 million for the six months ended 30 June 2024 (solely generated from the last second-hand Capesize vessel), from US\$2.7 million for the six months ended 30 June 2023, by approximately US\$1.8 million or 66.7% due to the fact that the cessation of contribution from such Capesize vessel upon its disposal in March 2024.

Cost of sales

Our cost of sales decreased by approximately US\$1.2 million or 5.8%, from approximately US\$20.6 million for the six months ended 30 June 2023 to approximately US\$19.4 million for the six months ended 30 June 2024. Such decrease mainly attributable to the decrease in bunker fees and other costs, which were mainly due to the combined effect of following factors:

- (i) our bunker fees decreased by approximately US\$0.5 million or 16.4%, mainly due to the decrease in bunker costs borne by our Group mainly as a result of the decrease in the revenue from asphalt tanker voyage charters of approximately 11.7%;
- (ii) our crew expenses recorded a decrease of approximately US\$0.5 million or 6.9%, resulting from no further sailor expenses were incurred for the disposed Capesize vessel since March 2024; and
- (iii) our depreciation was charged at a mild decrease of approximately US\$0.3 million or 6.5%, mainly due to the fact that the cessation of depreciation of the disposed Capesize vessel since March 2024.

Gross profit and gross profit margin

Our Group's gross profit increased by approximately US\$1.4 million or 14.7%, from approximately US\$9.5 million for the six months ended 30 June 2023 to approximately US\$10.9 million for the six months ended 30 June 2024. Such increase was mainly due to our overall gross profit margin improved from approximately 31.6% for the six months ended 30 June 2023 to approximately 35.9% for the six months ended 30 June 2024 attributable to the decrease in bunker fee and the increase in average daily charter rates.

Our gross profit generated from asphalt tanker time charters services significantly increased by approximately US\$2.0 million or 49.9% for the six months ended 30 June 2024. Such increase was mainly in line with the increase in revenue from asphalt tanker time chartering of approximately 21.4% and the increase in gross profit margin by approximately 6.0 percentage points due to the increase in average daily charter rates.

Our gross profit from asphalt tanker voyage charters and CoAs for the six months ended 30 June 2024 was approximately US\$4.5 million, similar level as the same period of last year, mainly attributable to the combined effect of the decrease of revenue generated from asphalt tanker voyage charters and CoAs of approximately 11.7%, but the improvement of gross profit margin by approximately 4.3 percentage points attributable to the decrease in bunker fee.

Our gross profit from bulk carrier time chartering services decreased by approximately US\$0.6 million or 65.8% for the six months ended 30 June 2024, while its gross profit margin maintained as similar level for both current and prior periods. It was mainly due to the discontinuance of profit contribution from the last Capesize vessel following its disposal in March 2024.

Other income

Our other income increased by approximately US\$3.5 million from approximately US\$0.7 million for the six months ended 30 June 2023 to approximately US\$4.2 million for the six months ended 30 June 2024. Such increase was mainly attributable to a one-off gain on disposal of the last Capesize vessel of approximately US\$3.6 million in March 2024.

Other gains and losses

Our Group recorded net other losses of approximately US\$40,000 for the six months ended 30 June 2024, while recorded net other gains of approximately US\$0.2 million for the six months ended 30 June 2023, mainly attributable to the impact of net foreign exchange fluctuation.

Our Group recorded net exchange losses of approximately US\$40,000 for the six months ended 30 June 2024, while recorded net exchange gains of approximately US\$0.2 million for the six months ended 30 June 2023, which was principally attributable to the exchange fluctuation of our Group's borrowings denominated in Singapore Dollars ("SGD"). As our Group fully repaid the borrowings denominated in SGD in 2023, therefore the exchange fluctuation was minimal during the Period Under Review, while USD appreciated against SGD by approximately 0.9% for the six months ended 30 June 2023, resulting in exchange losses for that period, when translation of the borrowings denominated in SGD.

Administrative expenses

Our Group's administrative expenses increased by approximately US\$0.3 million or 16.7% from approximately US\$1.8 million for the six months ended 30 June 2023 to approximately US\$2.1 million for the six months ended 30 June 2024, mainly due to the increase in Directors' emolument and the handling charges of approximately US\$0.1 million were incurred for the loan arrangements of a vessel during the Period Under Review.

Other operating expenses

During the Period Under Review, there was no other operating expenses, while our Group incurred other operating expenses of approximately US\$0.1 million for the six months ended 30 June 2023 in relation to accident-related costs of vessels.

Finance costs

Our finance costs decreased from approximately US\$2.9 million for the six months ended 30 June 2023 to approximately US\$2.2 million for the Period Under Review, mainly attributable to lower gearing ratio.

Income tax expense

Income tax expense increased from approximately US\$2,000 for the six months ended 30 June 2023 to approximately US\$5,000 for the six months ended 30 June 2024, mainly due to provision for current tax for the Singapore Corporate Income Tax.

For the six months ended 30 June 2024 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 PRC Enterprise Income Tax was made since our Group has no assessable profit for the six months ended 30 June 2024 and 2023.

No provision for Hong Kong Profits Tax was made since the income derived from overseas sources are not subject to tax or our Group has no assessable profit for the six months ended 30 June 2024 and 2023.

Profit for the period

Our profit for the Period Under Review increased sharply by approximately US\$5.2 million or 94.5% from approximately US\$5.5 million for the six months ended 30 June 2023 to approximately US\$10.7 million for the six months ended 30 June 2024, while our net profit margin also increased from approximately 18.4% to approximately 35.3% for the respective periods. Such increase in our profit for the Period Under Review was primarily attributable to a non-recurring gain on disposal of approximately US\$3.6 million for the last Capesize vessel in March 2024, the increase in gross profits and the decrease in finance costs.

FINANCIAL POSITION

As at 30 June 2024, our Group's total assets amounted to approximately US\$181.3 million (31 December 2023: US\$187.7 million) with net assets amounting to approximately US\$135.1 million (31 December 2023: US\$124.4 million). As at 30 June 2024, the gearing ratio (total debts divided by the total equity attributable to owners of our Company) of our Group was 0.32, representing a decrease of 31.9% as compared to that of 0.47 as at 31 December 2023. Net debt to equity ratio (net debt, being our total debts net of bank and cash balances, divided by total equity attributable to owners of our Company) of our Group was 0.06 as at 30 June 2024, representing a decrease of 79.3% as compared to that of 0.29 as at 31 December 2023. As at 30 June 2024, the current ratio of our Group was 3.12, representing an increase of 89.1% as compared to that of 1.65 as at 31 December 2023.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2024, the liquidity position has improved due to the stable profit growth and the gearing ratio 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 2024, our Group's borrowings and lease liabilities were approximately US\$42.9 million in aggregate, decreased by approximately US\$16.0 million as compared to approximately US\$58.9 million as at 31 December 2023, which was primarily due to the gradual repayment of debts financing by the profits generated from operations.

As at 30 June 2024, our Group had bank and cash balances of approximately US\$34.1 million in aggregate, representing an increase of approximately US\$11.4 million as compared to approximately US\$22.7 million as at 31 December 2023. Such cash inflows were mainly the combined effects of the profits generated from operations, non-recurring gain on disposal of a vessel and gradual repayment of borrowings and lease liabilities. 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 2024, our Group's indebtedness mainly comprised borrowings and lease liabilities of approximately US\$42.3 million and US\$0.5 million, respectively. Our borrowings are denominated in USD, while lease liabilities, which were related to the office properties lease, are mainly denominated in Renminbi. Majority of the borrowings are arranged at floating rates, thus exposing our Group to cash flow interest rate risk. Our Group might consider to use interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows. Our Group did not enter into any interest rate swap contracts during the Period Under Review, and has no outstanding interest rate swap contracts as at 30 June 2024.

The maturity of borrowings and lease liabilities as at 30 June 2024 is as follows:

	Borrowings	Lease liabilities
	<i>US\$'000</i>	<i>US\$'000</i>
Within one year	8,387	183
More than one year, but not exceeding two years	8,410	214
More than two years, but not exceeding five years	21,520	150
More than five years	3,986	—
	<u>42,303</u>	<u>547</u>

Borrowings are solely comprised of other loans, which were obtained for the provision of additional working capital of our Group. As at 30 June 2024, the other loans were secured by the following:

- (a) mortgage over our Group's vessels;
- (b) corporate guarantees provided by our Company;
- (c) restricted bank balances; and
- (d) shares of certain subsidiaries.

The lease liabilities of approximately US\$0.5 million as at 30 June 2024 were related to the office properties leases and were 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 risk control policy to manage the foreign exchange 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 2024, our Group has no outstanding foreign currency forward contracts.

PLEDGE OF ASSETS

As at 30 June 2024, the carrying amounts of bank balances restricted from being used and vessels pledged as securities for our Group's borrowings amounted to approximately US\$2.6 million and US\$85.0 million, respectively.

CAPITAL COMMITMENT

As at 30 June 2024, our Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 30 June 2024, 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 2024, our Group had a total of 40 employees, of which 32 were located in the PRC, 3 were located in Hong Kong and 5 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 2024 and 2023 were approximately US\$1.2 million and US\$1.1 million, respectively.

SIGNIFICANT INVESTMENT HELD

Our Group had not held any significant investments during the six months ended 30 June 2024.

MATERIAL TRANSACTIONS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Period Under Review, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by our Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no definite future plan for material investments or acquisition of material capital assets as at 30 June 2024.

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 (including sale of treasury Shares) during the six months ended 30 June 2024.

As at 30 June 2024, the Company did not hold any treasury Shares.

EVENTS AFTER THE REPORTING PERIOD

- (a) On 16 July 2024, the Group entered into a financing arrangement in the amount of US\$12,000,000 for additional working capital. The amount is repayable by 28 equal quarterly instalments for a period of 84 months commencing from the actual drawdown date, interest bearing of 2.75% plus secured overnight financing rate and secured by charges over a vessel of the Group and corporate guarantees provided by the Company. For details of the financing arrangement, please refer to the Company's announcement dated 16 July 2024. On 19 July 2024, the Group received the amount from the financial institution.
- (b) On 31 July 2024, the Group settled two other loans of approximately US\$12,607,000 before the maturity date. One of the pledged vessels was released and the other vessel is processing.
- (c) On 5 August 2024, the Group entered into a shipbuilding contract in the amount of approximately US\$42,000,000 for constructing two vessels. The amount is payable in five instalments in accordance with the construction progress of each vessel. For details of the shipbuilding contract, please refer to the Company's announcement dated 5 August 2024.

Save as disclosed above, there are no important events affecting the Group which have occurred since the end of the Period Under Review.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 C1 to the Listing Rules as its own code of corporate governance. The Board is of the view that the Company has fully complied with all the applicable code provisions of the CG Code during the six months ended 30 June 2024.

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 C3 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 2024.

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 consolidated interim results for the six months ended 30 June 2024, 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 2024 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 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)
“Director(s)”	director(s) of the Company
“dwt”	deadweight tonnages
“Group”	the Company and its subsidiaries

“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 2024
“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, 27 August 2024

As at the date of this announcement, Mr. Chen Ming, Mr. Chen Jiagan, Mr. Xu Wenjun, Mr. Chen Yanbiao 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.