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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)

COMPLETION OF INTERNAL CONTROL REVIEW

This announcement is made by the board (the “**Board**”) of directors of Xin Yuan Enterprises Group Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the inside information provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Reference is made to the announcements (the “**Announcements**”) of the Company (a) dated 5 June 2025 and 29 May 2026 in relation to the engagement of Acclime Consulting (Hong Kong) Limited (the “**Internal Control Consultant**”), an internal control consultancy firm, to perform an independent review on the internal control system of major processes of the Company and its major operating subsidiaries (the “**Internal Control Review**”); and (b) the Company’s announcement dated 13 August 2026 in relation to the key findings of the Forensic Investigation (the “**Forensic Investigation Announcement**”). Capitalized terms used herein shall have the same meanings as those defined in the Announcements unless otherwise specified.

BACKGROUND

As set out in the Announcement, the Company has engaged the Internal Control Consultant to assess the Group’s internal controls at entity level and process level covering the period from 1 July 2024 to 30 June 2025 (the “**Review Period**”).

The Internal Control Review process was conducted by the Internal Control Consultant in accordance with the “Internal Control and Risk Management — A Basic Framework” issued by The Hong Kong Institute of Certified Public Accountants and the “Internal Control — Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The key procedures conducted by the Internal Control Consultant are as follows:

- (a) obtaining an understanding on how the control procedures are implemented through communication with the management of the Group (the “**Management**”) and review of relevant policies and procedures;
- (b) considering and evaluating the design, implementation and effectiveness of the control procedures within the identified work priorities;
- (c) the Internal Control Consultant completed its review on the Group’s internal controls with a follow-up review (the “**Follow-up Review**”). The work procedures cover the Review Period while the follow-up review covers the period from 1 July 2025 to 11 August 2026. Nevertheless, testing for each control procedure may not cover the entire 12-month period;
- (d) in accordance with the agreed-upon procedures, drawing the Company’s attention to any significant or other internal control deficiencies which the Internal Control Consultant has identified;
- (e) providing corrective recommendations for the identified internal control deficiencies; and
- (f) reviewing the implementation of the remedial actions.

The scope of Internal Control Review includes (i) an assessment of the internal controls at entity level covering control environment, risk assessment, monitoring and supervision, information and communication and monitoring, anti-fraud policies, control activities and the findings of the Forensic Investigation; (ii) an assessment of the internal controls of the Group’s financial reporting and information disclosure; and (iii) an assessment of the internal controls of the Company and major operating subsidiaries at process level including sales and advance payment/deposit management, procurement and prepayment/accounts payable (including service outsourcing contractors), cash and treasury, fixed assets management, human resources and remuneration management and the general control of information technology system.

The Internal Control Consultant issued its report on its key findings of the Internal Control Review on 13 August 2026.

KEY FINDINGS OF THE INTERNAL CONTROL REVIEW

The key findings of the Internal Control Review, corresponding recommendations for rectification and the response of the Management are summarized as follows:

	Key findings	Recommendations	The Management's response and follow-up actions
1.	Declaration of conflict of interest by employees The Internal Control Consultant noted the following deficiencies in the Group's internal controls regarding managing conflict of interest by employees: (i) the Group's "Policy on Regulating Employee's Conflict of Interest" (《員工利益衝突政策的規定》) (the "Conflict of Interest Policy") did not require new employees to declare conflict of interest upon onboarding; (ii) the Conflict of Interest Policy did not require new employees to declare potential/existing conflict of interest upon onboarding; and (iii) the Group did not require senior management and all employees to complete an annual conflict of interest questionnaire to declare any conflict of interest as per the Conflict of Interest Policy.	The Group shall adopt the following measures to strengthen its conflict of interest reporting process so as to ensure that the Group could identify and continuously monitor any potential conflict of interest: (i) the Group shall include clear requirements in its written management systems or regulations requiring new employees to report conflicts of interest upon onboarding and distribute the approved version to all employees to ensure compliance; (ii) the Group shall require current senior management and all employees to submit a Conflict of Interest Notice (《利益衝突申報表》) (the "Conflict of Interest Notice") as soon as possible; and (iii) the Group shall require senior management and employees to submit Conflict of Interest Notice or a conflict of interest questionnaire on a regular basis (at least every six months). Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	• The Group has updated its Conflict of Interest Policy requiring (i) new employees to complete a Declaration of Conflict of Interest (《關於利益衝突的聲明》) (the "Declaration of Conflict of Interest") upon onboarding and all employees to complete the Declaration of Conflict of Interest within 10 business days before 30 June and 31 December each year; and (ii) employees with existing or potential conflict of interest to submit a signed Conflict of Interest Notice to the Group's securities department (the "Securities Department"). • The updated Conflict of Interest Policy was approved by the Board on 27 December 2025 and distributed to all employees for implementation. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
2.	Assessing the impact of management and executive departures The Internal Control Consultant noted that the Group did not have written policies to regulate the process for assessing the impact of management and executive departures.	The Group shall establish written policies to standardize the process for assessing the impact of the departures of management and executives, outlining the workflow, responsibilities of relevant departments, assessment criteria and procedures, etc.. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	• The Group formulated the “Measures for Impact Assessment and Response to the Departure of Management Personnel” (《管理層人員離職影響評估及應對管理辦法》) (the “Measures on Departure of Management Personnel”) in October 2025 to standardize the content and work process of impact assessment for the departure of management personnel, including but not limited to, the impact assessment of the departure of Directors, senior executives and supervisors, and its workflow, such as the notification of departure and preliminary assessment, risk assessment and response strategy development, and the implementation and execution of the response plan. The Measures on Departure of Management Personnel also stipulates that after receiving a written resignation application from a manager, the Group's administration department (the “Administration Department”) will assess the potential impact of their departure on the operations and morale of the Group and establish an emergency response team to develop counter-measures. The emergency response team shall assess business continuity, succession planning, and knowledge loss risks, and develop response strategies and action plans based on the assessment results, while clearly defining the responsible departments and completion deadlines. • The Measures on Departure of Management Personnel have been issued to relevant employees for implementation after being approved by the Management on 30 October 2025. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
3.	Declaration of connected persons and list of connected persons The Internal Control Consultant noted the following deficiencies in the Group's internal controls regarding declaration of connected persons: (i) directors were not required to declare and confirm their connected persons on a regular basis which may result in conflict of interests not being identified in a timely manner or the Company's inability to fulfill the relevant disclosure obligations in a timely and complete manner; and (ii) the Group did not maintain a list of connected persons which may prevent the Group from fully identifying connected transactions, thereby increasing potential compliance risks in its financial reporting.	(i) The Group shall require its directors to declare or confirm their connected persons on a regular basis (at least every six months). (ii) Relevant departments shall maintain and update the list of connected persons on a regular basis (at least every six months) and submit such list to the Management for review and approval. Written or electronic approval records shall also be maintained. (iii) The aforementioned measures shall be documented in written management procedures and submitted to the Management for approval to ensure compliance by all employees. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	• The Group has updated its "Compliance Manual" (《合規手冊》) (the "Compliance Manual") in December 2025, requiring all directors to declare or confirm their connected persons at least every six months. The Securities Department has also formulated the list of connected persons and updates it at least every six months. The list will be submitted to the Board for review whereby written or electronic approval records are maintained. • The updated Compliance Manual was approved by the Board on 27 December 2025 and distributed to all employees for implementation. • The Directors have completed the connected persons declaration and signed the connected persons declaration and confirmation. The Securities Department has also formulated the list of connected persons, which has been approved by management. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
4.	Policy on financial information disclosure The Internal Control Consultant noted that whilst the Group's Compliance Manual had provisions governing the disclosure of inside information, connected transactions and other information as required under the Listing Rules, the Group had not adopted written procedures on disclosure of financial information as per Appendix D2 to the Listing Rules based on its actual processes and operations.	The Group should formulate written policies for the disclosure of financial information as soon as possible. The Management should also review the contents of the written policies and distribute the reviewed version to the relevant employees to ensure compliance. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	• The Group has formulated the "Policy on Financial Information Disclosure" (《財務資料的披露》制度) (the "Financial Information Disclosure Policy") based on Appendix D2 to the Listing Rules, specifying the content, responsible personnel and workflow of the Group's financial reports. The Group's finance department (the "Finance Department") is responsible for the financial reporting process, subsidiary accounting personnel are responsible for subsidiary financial reports, and the finance manager is responsible for preparing the parent company's consolidated financial statements. All units and departments within the Company shall promptly provide the Finance Department with the information required for preparing financial reports and ensure the completeness of the information provided. The Finance Department shall verify the Group's liabilities before preparing the annual financial report. • The Financial Information Disclosure Policy was approved by the Management on 1 December 2025 and distributed to the relevant employees for implementation. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
5.	Talent retention policy and litigation management policy The Group has a draft “Talent Retention Policy” (《人才挽留政策》) (the “Talent Retention Policy”) and “Litigation Management Regulations” (《訴訟案件管理方法》) (the “Litigation Management Regulations”) to standardize the monitoring measures and procedures for retaining talent, and to standardize monitoring measures and procedures for handling litigation, disputes, or violations. However, these policies have not yet been approved by the Management.	The Management should review the Talent Retention Policy and the Litigation Management Regulations as soon as possible and distribute the same to the relevant employees to ensure compliance. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	• The Talent Retention Policy which clearly stipulates the talent loss risk assessment process, talent retention measures and related workflow has been approved by the Management on 30 October 2025 and distributed to the relevant employees for implementation. • The Administration Department has conducted an employee turnover risk assessment and documented the results in writing. The assessment was prepared by the manager of the Administration Department and then submitted to the president for signature. • The Litigation Management Regulations which clearly stipulates the workflow for matters such as litigation disputes has been approved by the Management and distributed to the relevant employees for implementation on 27 December 2025. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
6.	Internal control findings and recommendations in response to the findings in the Forensic Investigation The Group has established a written "Use of Company's Chop Management Regulations" (《公司印章使用管理辦法》) (the "Use of Company's Chop Management Regulations") in October 2022, stipulating that applicants must fill out and submit a "Company's Chop Application" form in the OA system, explaining the purpose of the company's chop, and have it signed by the department manager, the vice president in charge, and the president. For significant matters, the chairman's approval is required. After approval, the custodian of the company's chop will verify the information and only affix the company's chop after confirming its accuracy. The date of affixing the company's chop is then recorded on the approved OA company's chop application. Currently, the official company's chops of the Group's subsidiaries are all kept by the Administration Department. According to the findings of the Forensic Investigation, in 2019, due to the Company's development needs, the Group's then management initiated a vessel acquisition plan. To raise funds for the acquisition, two Directors implemented a modified "Domestic Guarantee and Overseas Loan (內保外貸)". However, no approval record for the use of the company's chop in relation to the RMB212 million loan was noted or retained. In addition, it was noted that the approval record for the use of the company's chop on the nominee agreements for the 40 million placing shares were dated after the signing of the relevant termination agreements. There were also no approval records for the use of the company's chop on the termination agreements. The Internal Control Consultant noted that when the aforementioned incidents occurred in 2019 and 2020, the Group had not formulated the "Use of Company's Chop Management Regulations" to regulate internal control processes such as the authorization, safekeeping and use of the company's chop.	The Group should adopt the following measures to improve its application process for the use of the company's chop: (i) In order to prevent the recurrence of agreements being stamped without proper authorization and approval, the Group shall refine its "Use of Company's Chop Management Regulations" to clearly state that before affixing the company's chop, the company's chop custodian must confirm that the relevant OA company's chop application form has documented the reason for the usage of the company's chop and attached the documents which the company's chop is to be affixed to, and that the content of the documents is consistent with the description on the application form. In addition, prior to the affixation of the company's chop, the management (President, Chairman or the Board) should provide written approval as required by relevant regulations. Once the revised Use of Company's Chop Management Regulations is approved, the written approval record should be retained and distributed to all relevant employees to ensure compliance. (ii) The Group should organize internal specialized training on the revised Use of Company's Chop Management Regulations to ensure that all relevant personnel (including but not limited to custodians of the company's chop, department heads, and management with approval authority) accurately understand and master the latest regulations and operating procedures. Complete documentation, including the training agenda, training materials, and attendance records, must be retained.	● In October 2022, the executive Board has approved the Use of Company's Chop Management Regulations, standardizing the authorization, safekeeping and use of company's chops. The Use of Company's Chop Management Regulations has been issued for implementation. ● In December 2025, the Group revised the Use of Company's Chop Management Regulations which was approved by the Board on 27 December 2025, and has been distributed to all the employees for implementation. ● The custodians of the company's chop have signed the Company's Chop Custodian Job Responsibility Statement. ● The company's chop custodian retains and archives company's chop application records and provides them to the Board for review on a periodic basis. ● Furthermore, the Group will engage an independent third party internal control consultant to conduct an independent internal audit of the company's chop management and safekeeping process and report the results to the Board on an annual basis.

	Key findings	Recommendations	The Management's response and follow-up actions
		(iii) The Group should require all custodians of the company's chop to sign the "Company's Chop Custodian Job Responsibility Statement" (《印章保管人崗位責任書》) (the "Company's Chop Custodian Job Responsibility Statement") and retain relevant written documents including declaration that such custodian shall comply with the Use of Company's Chop Management Regulations. The Company's Chop Custodian Job Responsibility Statement shall specify clearly the management responsibilities of the custodians of the company's chop, compliance requirements, and accountability clauses for violations to ensure the compliance and security of the usage of the company's chop, and clearly define the relevant requirements in the relevant written policies. Any new custodians of the company's chop shall sign the Company's Chop Custodian Job Responsibility Statement to ensure that he/she understands, acknowledges and undertakes to comply with the Use of Company's Chop Management Regulations and other relevant requirements. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	

	Key findings	Recommendations	The Management's response and follow-up actions
7.	Accounting voucher entry and review The Finance Department uniformly uses the Yonyou U8 system (用友U8系統) (the “Yonyou U8 System”) to enter accounting accounts, and the operating permissions of each user have been set in the system. Currently, the accounting personnel of the Finance Department are responsible for entering the accounting vouchers of the holding company and its subsidiaries based on relevant documents (such as bank receipts, invoices, etc.), and the finance manager reviews the accuracy of the vouchers. The Group has also established a written “Accounting Policies” (《會計制度》) (the “Accounting Policies”) and requires accounting vouchers to be reviewed by the finance supervisor or finance manager. During the review process, the Internal Control Consultant noted that the accounting vouchers related to employee compensation of one of the Company's subsidiaries were prepared and reviewed by the finance manager alone, and the separation of duties was not effectively achieved.	(i) The Management should assign a separate personnel to prepare or review accounting vouchers related to employee payroll to prevent the finance manager from simultaneously performing both voucher preparation and review duties, thus ensuring effective separation of responsibilities. (ii) Furthermore, the financial system administrator should be required to restrict the voucher preparer and reviewer in the Yonyou U8 System to be the same person. This recommendation is to fundamentally prevent the possibility of one person preparing and reviewing vouchers through system settings, thereby separating the responsibilities of entering and reviewing accounting vouchers to ensure the accuracy of entered information and data.	• The financial system has been configured in October 2025 so that the same person is prohibited to act as the preparer and reviewer of the same accounting voucher. • Employee payroll-related accounting vouchers are prepared and reviewed by two separate individuals.

	Key findings	Recommendations	The Management's response and follow-up actions
8.	Approval of financial statements and related notes The Finance Department is responsible for all financial work related to the holding company and its subsidiaries, and all accounting and financial statements for each individual company are prepared using the Yonyou U8 System. The Group's established written Accounting Policies requires the finance manager to be responsible for preparing financial statements and all internal reports, with the Company's chief financial officer (the "CFO") responsible for review to ensure the timeliness and accuracy of consolidated financial statements. The finance manager is responsible for preparing monthly financial statements for each subsidiary using the Yonyou U8 System, and for preparing monthly notes to the financial statements, the Group's monthly consolidated financial statements, and their notes in Microsoft Excel. Each month, the finance manager prepares a Group financial performance summary in Microsoft Excel, including monthly and ship-based analysis of main business revenue, costs, gross profit, and net profit, as well as a comparative analysis with the same period last year, which is submitted to the Chief Financial Officer and the general manager for review via WeChat. The Internal Control Consultant noted that the monthly financial statements and related notes for each of the Group's subsidiaries as well as the Group's monthly consolidated financial statements and related notes prepared by the finance manager were not submitted to the Management for approval.	(i) The Management should (i) review the Group's monthly consolidated financial statements and related notes as well as the monthly financial statements and related notes for each of the Group's subsidiaries on a periodic basis; and (ii) retain written records (e.g. via email or WeChat) of the approvals by the Management. (ii) After the approval by the Management, the Group's monthly consolidated financial statements should be circulated to all members of the Board for review to ensure that the Board has a balanced, clear and comprehensive understanding of the Company's financial position. Relevant written records shall also be retained. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	• Since October 2025, the Group's monthly consolidated financial statements and related notes have been approved by the Management via email and are circulated to all members of the Board for review. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
9.	Financial budget and variance analysis The Finance Department is responsible for financial and capital management. The finance manager is responsible for preparing the Group's quarterly financial analysis and annual budget, which are then submitted to the CFO and the general manager for approval. The Internal Control Consultant noted that the annual financial budget prepared by the finance manager was submitted to the Management for reference only without any formal approval by the Management nor any written approval record. The Internal Control Consultant further noted that since the 2025 annual financial budget was not formally approved by the CFO and the general manager, there was no basis for preparing variance analysis. Hence, no analysis on significant discrepancies between actual expenditures and budgeted figures were conducted by the Company on a regular basis.	(i) The Management should (a) approve the Group's quarterly financial analysis and annual budget after the finance manager submits the same to them; and (b) retain relevant written approval records. (ii) The Group should require the Finance Department to conduct a variance analysis between the budgeted and actual figures on a regular basis (at least quarterly) based on the approved annual financial budget, and to provide a written analysis of any significant variances, retaining relevant documentation. After completing the financial budget and variance analysis, it must be submitted to the Management for approval, and written or electronic approval records must be retained. (iii) The aforementioned measures shall be documented in written management procedures and submitted to the Management for approval to ensure compliance by all relevant employees.	• The Group's annual budget, quarterly analysis reports and variance analysis including the 2026 annual budget, the 2025 third quarter analysis report and the January 2026 variance analysis have been approved by the Management in writing. The financial budgeting and variance analysis processes have also been standardized into the Group's "Financial Reporting and Disclosure Policies" (《財務報告編制與披露制度》) (the "Financial Reporting and Disclosure Policies"). • The Financial Reporting and Disclosure Policies clearly defines and standardizes the budget analysis execution and reporting process. The Group's finance and accounting department is responsible for preparing the annual budget, financial analysis, and quarterly budget variance analysis reports to evaluate the Company's performance, and submitting them to management for review and approval. The CFO and the Board review these reports. The Financial Reporting and Disclosure Policies also stipulates that at the end of each quarter, the Finance Department prepares a budget variance analysis report, comparing actual results with the budget and analyzing the reasons for the discrepancies. The Financial Reporting and Disclosure Policies was approved by the Management on 1 December 2025 and distributed to relevant management personnel. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
10.	Customer selection and evaluation and information management The Internal Control Consultant noted the following deficiencies in the Group's internal controls regarding customer selection and evaluation and information management: (i) The Group's business department (the "Business Department") obtained the group profile provided by its customers as supporting documentation but did not verify the customer's organizational structure an information on the customer's website, nor did the Business Department request the customers to provide supporting documents such as business licenses and tax registration certificates or verify information through third-party enterprise information query platforms. (ii) The Group's "Business Operations Management Regulations" (《商務部業務操作管理細則》) (the "Business Operations Management Regulations") did not specify the procedures and guidelines for selecting and evaluating new customers, including requirements for completing customer evaluation forms and providing necessary documents, the Business Department's scoring standards for new customers and requirements for updating customer information on a regular basis.	The Management should enhance its written management policies to include the following: (i) procedures and guidelines for selecting and evaluating new customers, including completing customer evaluation forms and providing required qualification documents. (a) For new overseas customers, if the accuracy of the information provided could not be verified using a third-party platform, written record should be maintained showing that the business manager has reviewed the new customer's information file, including verification of the customer's company website to confirm its structure and information. Such information should be submitted to the CFO for approval together with the updated customer information form. (b) For new domestic customers, the qualification documents, including business licenses and tax registration certificates should be verified using a third-party enterprise information query platform. Written record of the results should also be maintained. (ii) scoring criteria for evaluating new customers' background, financial status, credit rating, etc.; (iii) existing customers' information should be updated on a regular basis (at least annually), such as invoicing information, updated licenses etc., as well as the preparation and approval process for customer information forms.	• The Business Department has updated the Business Operations Management Regulations which has been approved by the Management on 19 January 2026 and circulated to the relevant employees for implementation. • The updated Business Operations Management Regulations clearly outlines the procedures and guidelines for new customer selection and evaluation, as well as the workflow for customer information management. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
		The Management should set clear parameters on what companies could be exempted from enterprise qualification verification and regular new customer evaluation based on actual business needs. To avoid deviations in employee execution of related work processes due to a lack of unified guidelines, the updated written management policies should be submitted to the Management for approval and a written record of its review should be maintained. The updated written management policies should also be circulated to all relevant employees to ensure compliance. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	

	Key findings	Recommendations	The Management's response and follow-up actions
11.	Sales invoice and contract management The Internal Control Consultant noted the following deficiencies in the Group's internal controls regarding sales invoice and contract management: (i) Some of the sample contracts obtained by the Internal Control Consultant show that the contract signing date was earlier than the application date for contract approval in the OA system. (ii) While the Business Department has established separate ledgers for contracts and invoices, the Internal Control Consultant noted that the Group has neither registered nor regularly maintained these contract and invoice ledgers.	(i) The Management should require the staff of the Business Department to obtain prior approval from relevant personnel before signing/confirming voyage contracts as per the established procedures. At the very least, prior written approval via WeChat from the relevant supervisor or general manager should be obtained prior to sending the contract to the customer. A screenshot of the supervisor's or general manager's written WeChat approval should be attached as supporting documentation when submitting the contract approval request in the OA. (ii) The Management should require the Business Department staff to maintain comprehensive contract and invoice records, ensuring that all time charter contracts, voyage contracts, and issued invoices are fully documented. These records should be submitted to the Business Department manager for review regularly (at least quarterly), and written approval records should be maintained to ensure accuracy. (iii) To avoid deviations in employee execution of related work processes due to a lack of unified guidelines, the aforementioned revised procedures shall be documented in written management procedures and submitted to the Management for approval to ensure compliance by all relevant employees. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	• The Business Department has updated the Business Operations Management Regulations which has been approved by the Management on 19 January 2026 and circulated to the relevant employees for implementation. • The updated Business Operations Management Regulations clearly outlines the procedures and guidelines for voyage contract approval applications and for the maintenance of contract and invoice ledgers. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
12.	New supplier evaluation procedure While the Group has adopted the “Ship Supplies Supplier Selection and Management Procedures” (《船舶物資供應商選拔管理程序》) (the “Supplier Selection and Management Procedures”) to regulate the selection, evaluation and management of suppliers, during the Internal Control Consultant's random inspection of the samples for the procurement of ship spare parts, the Internal Control Consultant discovered that one supplier was not listed in the qualified supplier list and was not the original manufacturer of spare parts designated by the shipyard. Also, no new supplier evaluation procedure has been conducted by the Group in respect of such supplier.	(i) The Management should require the purchasing department to strictly adhere to the Supplier Selection and Management Procedures and promptly complete the evaluation process for all suppliers. Upon successful evaluation, the list of qualified suppliers should be updated and reviewed by the purchasing manager. (ii) The Management should also require the Purchasing Department to verify the authenticity of the qualifications of domestic suppliers through a third-party enterprise information query platform. Written record of the results should also be maintained. For overseas suppliers, if verification through a third-party enterprise information platform is not possible, a written explanation should be submitted, and approval from higher management is required. (iii) To avoid deviations in employee execution of related work processes due to a lack of unified guidelines, the aforementioned requirements should be specified in the revised Supplier Selection and Management Procedures and submitted to the Management for approval to ensure compliance by all relevant employees. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	• The Group has revised the Supplier Selection and Management Procedures to include the requirements that the qualifications of suppliers should be verified through a third-party enterprise information query platform. • The revised Supplier Selection and Management Procedures has been approved by the general manager of the ship management department on 16 October 2025 and circulated to relevant employees in the purchasing department. • All supplier evaluation forms, including those for newly added suppliers, have been re-evaluated, and business licenses, quality certificates, etc., have been re-collected and reviewed. The list of qualified suppliers has been updated and signed and approved by the manager of the purchasing department. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
13.	Procurement of ship supplies, office supplies and equipment The Internal Control Consultant noted the following deficiencies in the Group's internal controls regarding the procurement of ship supplies, office supplies and equipment: (i) The IT staff failed to upload to the OA system the price comparison records (such as quotations and comparison tables) for the procurement of office equipment as attachments. Accordingly, the Management is prevented from obtaining supporting evidence of price reasonableness during the approval process. The offline price comparison records also lack the Management's signature confirmation, therefore the Internal Control Consultant was unable to confirm whether the price comparison results have been reviewed. (ii) The Administration Department has not established a ledger for office supplies and equipment procurement contracts/orders, making it impossible to effectively track the fulfilment of procurement contracts/orders via reviewing the ledger. (iii) The Internal Control Consultant noted that one of the marine supplies procurement samples lacked the applicant's basic information and the captain's signature on the "Ship Supplies Procurement Request Form" (《船舶採購申請單》) (the "Ship Supplies Procurement Request Form") and only had the engineer's signature. Hence, the Internal Control Consultant is unable to confirm whether the process was executed by two or more independent personnel as required under the "Ship Supplies Procurement and Supply Management Procedures" (《船用物資採購供應管理程序》) (the "Ship Supplies Procurement and Supply Management Procedures"), resulting in a failure to fully reflect the separation of responsibilities in the ship procurement request process. According to Management, the aforementioned sample application form was reviewed and confirmed jointly by the captain and engineer on-site before being submitted to the procurement department and hence the captain's written signature was not obtained separately.	(i) The Management should require the Administration Department to attach the price comparison records as supporting documents when submitting office requisitions and purchase requests to the OA system to serve as a basis for approval by the Management. (ii) The Administration Department should be required to establish and maintain a ledger of office supplies and equipment procurement contracts/orders. The ledger should contain information relating to contract signing date or order date, contract validity periods, payment terms and deadlines, contract/order fulfilment status and follow-up actions, invoice information, etc. (iii) To strengthen the separation of responsibilities and supervision in the ship supplies and procurement process, it is recommended that the Management should enhance the Ship Supplies Procurement Request Form by adding a field for the applicant's basic information (including the applicant's name, position and application date). (iv) The Ship Supplies Procurement Request Form prepared by the crew member should be submitted to the captain for review. After review, the captain should sign on the Ship Supplies Procurement Request Form or retain a written record of the review (e.g. email record). The engineering/marine supervisor should only sign the Ship Supplies Procurement Request Form after confirming that the captain has approved in writing. Otherwise, the Ship Supplies Procurement Request Form should be returned. The procurement department, as the final executor of the procurement process, should also confirm that all reviewers have completed their reviews in writing before proceeding with the subsequent procurement process. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	• The "Procurement and Reimbursement Policy" (《採購和報銷制度》) (the "Procurement and Reimbursement Policy") has been amended to explicitly require procurement applicants to upload their office equipment procurement comparison records (such as quotations and comparison tables) as attachments to the OA system. The updated Procurement and Reimbursement Policy has been approved by the Management on 6 January 2026 and circulated to relevant employees. • The Administration Department has attached price comparison records as supporting documents when submitting office requisitions and purchase requests to the OA system. The Administration Department has also established a ledger of office supplies and equipment procurement contracts/orders and the ledger is updated on a regular basis. • The Ship Supplies Procurement Request Form has been revised and included the applicant's basic information. The captain has also submitted the Ship Supplies Procurement Request Form via email to the engineering/marine supervisor for review. The engineering/marine supervisor reviews the Ship Supplies Procurement Request Form submitted by the captain and then forwards it to the procurement department via email. The procurement department then execute the procurement process based on the Ship Supplies Procurement Request Form which has been reviewed by the engineering/marine supervisor via email. • The captain and the marine supervisor review the Ship Supplies Procurement Request Form via email. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
14.	Reimbursement process for directors' expenses The Internal Control Consultant noted the following deficiencies in the Group's internal controls regarding the reimbursement process for directors' expenses: (i) In one of the samples for reimbursement of directors' expenses, it was noted that while the reimbursement application was submitted through the OA system by an administrative staff member and revised by another executive Director, the Director who applied for the reimbursement still retained the final approval for reimbursement. (ii) Regarding expense reimbursements, the Group's "Procurement and Reimbursement Policy" (《採購和報銷制度》) (the "Procurement and Reimbursement Policy") only regulated the expense approval process for employees at the vice president level and below but did not stipulate the expense reimbursement approval mechanism for executive Directors and the chairman.	The Management should establish a separate written management policy or clearly define the expense reimbursement process for Directors. Such policy should also implement a tiered approval process and limit controls, including the following: (i) For minor expense reimbursement by the Directors, at least on other member of the Board should have the final approval authority. For reimbursements exceeding a certain amount or large expenses, approvals from two members of the Board should be obtained. (ii) For minor expense reimbursement by the chairman of the Board, approvals from at least two other members of the Board should be obtained. For reimbursements exceeding a certain amount or large expenses, approvals from the audit committee should be obtained to ensure the reasonableness of the expenses and effective oversight. (iii) The benchmark for classification of minor and large expenses should be clearly defined. The applicant for expense reimbursement should be explicitly prohibited from being the final approver in the expense reimbursement process to avoid conflicts of interest. To avoid deviations in the execution of relevant work processes due to a lack of uniform guidelines, the aforementioned revised procedures shall be documented in written management procedures and submitted to the Board for approval and distributed to all Directors and employees to ensure compliance. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	• The Group revised the Procurement and Reimbursement Policy which stipulates the review and payment approval procedures (including the different approval authority for different amount of expenses) for expense reimbursement by Directors and clearly defines the benchmark for minor and large expenses. It also clarifies that the applicant for expense reimbursement should not be the approver. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
15.	Management of online banking payment authorization The online banking system is equipped with two keys and is subject to dual management. The cashier keeps the transaction documents, while the authorization keys are kept separately by the cashier and the two finance managers and the finance director in a safe. In line with the Group's written "Financial Management Policy" (《財務管理制度》), a two-tiered review and authorization system has been established for the execution of online payment. However, the Internal Control Consultant noted that the same online banking authorization level was used irrespective of the transaction amount.	(i) The Management should require bank key custodians to sign a "Bank Key Custodian Job Responsibility Agreement" (《銀行密鑰保管人崗位責任書》) (the "Bank Key Custodian Job Responsibility Agreement") under the supervision of an independent department (e.g. the human resources and administration department). The Bank Key Custodian Job Responsibility Agreement should clearly define the specific rights and responsibilities for using online banking keys, custody responsibilities, specific penalties and accountability clauses for violations and other relevant provisions. A written document signed by all three parties should be retained. (ii) The bank key custodians should also sign the Bank Key Custodian Job Responsibility Agreement at least on an annual basis to reinforce their sense of responsibility. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	• The bank key custodians (including the cashier, the two finance managers and the finance director) have signed the Bank Key Custodian Job Responsibility Statement and is also required to sign such statement at least once a year. • The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

	Key findings	Recommendations	The Management's response and follow-up actions
16.	Bank reconciliation process While the Group has adopted the “Bank Deposit Management Policy” (《銀行存款管理制度》) stipulating that the Finance Department must prepare a bank reconciliation statement at the end of each month, the Internal Control Consultant noted that the Finance Department only prepares the bank reconciliation statement when discrepancies are found.	(i) The Management should require the Finance Department to prepare a complete monthly bank reconciliation statement for all bank accounts regardless of discrepancies and such bank reconciliation statements should be reviewed and signed by the accounting supervisor. (ii) The Management may also require the Finance Department to summarize all bank reconciliation results into a single master statement (including bank subsidiary ledger balances, bank statement balances, outstanding items, etc.). The cashier and accountant should prepare this statement and submit it to the accounting supervisor for review, and a written record of the review should be maintained. Moreover, the Group shall engage an independent third party internal control consultant to conduct an internal audit on a regular basis (at least annually) and report its findings to the Board, such that the Board could monitor and assess the implementation of and compliance with the relevant internal controls and whether relevant information is promptly documented and archived.	● Since September 2025, the Finance Department has prepared monthly bank reconciliation statements for all bank accounts which were reviewed and signed by the accounting supervisor. ● The Group will engage an independent third party internal control consultant to conduct an internal audit on an annual basis and report its findings to the Board.

INTERNAL CONTROL DEFICIENCIES/CAUSES AND FINDINGS AS SET OUT IN THE FORENSIC INVESTIGATION REPORT AND THE CORRESPONDING RECOMMENDATIONS BY THE INTERNAL CONTROL CONSULTANT

The Internal Control Consultant has assessed the internal controls that existed at the time when the incidents which are subject to the Forensic Investigation occurred, how those internal controls were circumvented or overrode, and whether the same personnel, authorization structures, or informal operating practices persist.

The key findings of the Forensic Investigation which relate to internal control processes include controls over (a) the management of loans and guarantees; (b) the management and approval processes for material contracts; and (c) financial reporting and disclosure. The Internal Control Consultant tested the effectiveness of these controls during the Review Period through interviews, review of written management policies, walkthrough testing, and control testing. In the sampling data obtained by the Internal Control Consultant, the Internal Control Consultant has not identified any internal control issues related to unauthorized borrowing, mingling of corporate and shareholder affairs, approval of significant investments or overridden of controls by the then management, etc.

Based on the key findings of the Forensic Investigation and taking into account the Internal Control Consultant's understanding and testing of the Group's existing and operating internal control system during the Internal Control Review, the Internal Control Consultant is of the view that the root causes of the key findings of the Forensic Investigation lie in the deficiencies in the Company's internal controls over the use of the company's chop at the time of the incident and the then management's circumvention of internal controls. The involved management, namely, Mr. Xu and Mr. Lin, resigned on 20 July 2026.

Considering the results of Internal Control Review and the departure of relevant personnel, the Internal Control Consultant is of the view that the same personnel, authorization structure, or informal operating practices no longer persist.

Please refer to item 6 in the section headed "Key Findings of the Internal Control Review" in this announcement for further details on the key findings, recommendations and follow-up actions in relation to the internal controls over the use of the company's chop.

Pairing matrix of findings in the Forensic Investigation with findings, recommendations, and remedial actions set out in the Internal Control Report

Findings in the Forensic Investigation	Corresponding findings, recommendations and remedial actions set out in the Internal Control Report
1. Ineffective internal control over the management of the company's chop — the company's chop could be used solely based on Mr. Wang and Mr. Xu's verbal authorization and the records of the usage of the company's chop were not properly maintained	Please refer to item 6 in the section headed "Key Findings of the Internal Control Review" in this announcement for further details on the key findings, recommendations and follow-up actions in relation to the internal controls over the use of the company's chop.
2. Overridden of internal controls by the management — the management overrode the internal controls, bypassed the collective decision-making of the Board and adopted "two-person decision-making management" to replace the Group's corporate governance procedures in major loan transactions, the setting up of the nominee arrangement and its cancellation	The incident stemmed from the management's circumvention of the relevant internal controls. The relevant personnel left the Company on 20 July 2026. The Internal Control Consultant is of the view that the same personnel, authorization structure, or informal operating practices no longer persist. Hence, the Internal Control Consultant has no corresponding internal control findings or recommendations.
3. Improper mingling of the Company's affairs with the shareholders' personal affairs — loans made in the name of the Company were transferred and deposited into the personal bank account of a shareholder/Director, and the personal debts of a shareholder/Director were mingled with the Company's debts	

RESULTS OF THE INTERNAL CONTROL REVIEW AND THE FOLLOW-UP REVIEW

The Internal Control Consultant has completed the Internal Control Review (including the Follow-up Review of the Group's internal controls after rectification) and did not identify any material deficiencies or weaknesses in the Group's internal control system within the scope of review. Accordingly, the Internal Control Consultant is of the view that: the Group has implemented detailed internal control procedures, and the internal control weaknesses (including the various internal control weaknesses identified in the Independent Forensic Investigation Report) have been rectified and adequately remediated; the policies and procedures implemented by the Group have effectively addressed its deficiencies and prevented recurrence of similar incidents; and the Group has established adequate internal controls and procedures and implemented them effectively to comply with the Listing Rules.

VIEWS OF THE SPECIAL COMMITTEE AND THE BOARD ON THE INTERNAL CONTROL REVIEW

The Special Committee and the Board have reviewed the findings and remedial actions taken and considered that, given (i) the segregation of duties and authorities among various work units of the Group; (ii) the comprehensive work process and requirements for written records within the internal management structure of the Group; and (iii) regular reviews to be conducted by independent third party internal control advisers in the future, the Company has in place adequate internal control system to meet its obligations under the Listing Rules.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 21 February 2025 and will remain suspended until the Company fulfils the Resumption Guidance.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
XIN YUAN ENTERPRISES GROUP LIMITED
Liu Dunyu
Executive Director

Hong Kong, 13 August 2026

As at the date of this announcement, Mr. Chen Jiagan, Mr. Chen Ming, Mr. Chen Yanbiao, Ms. Liu Weipeng, Mr. Liu Dunyu and Mr. Tang Xuming are the executive Directors, and Mr. Xu Jie, Mr. Wei Shusong, Dr. Chen Siru, Mr. Yeung Chi Tat and Ms. Liu Xueying are the independent non-executive Directors.