JINHUI SHIPPING

JINHUI

JINHUI SHIPPING
AND TRANSPORTATION LIMITED

Fourth Quarter Report for the Quarter Ended 31 December 2017

and

Preliminary Annual Results for the Year Ended 31 December 2017

JINHUI SHIPPING

HIGHLIGHTS

For the Year Ended 31 December 2017

- Revenue for the year: US$74 million
- Net loss for the year: US$4 million included non-cash impairment loss on assets held for sale (disposed vessels) of US$6 million
- Basic loss per share: US$0.043
- Gearing ratio as at 31 December 2017: 15%

For the Fourth Quarter of 2017

- Revenue for the quarter: US$21 million
- Net profit for the quarter: US$2 million
- Basic earnings per share: US$0.023

The Board of **Jinhui Shipping and Transportation Limited** (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the quarter and year ended 31 December 2017.

FOURTH QUARTER AND ANNUAL RESULTS

Revenue for the fourth quarter of 2017 increased 32% to US$21,107,000, comparing to US$15,932,000 for the corresponding quarter in 2016. The Company recorded a consolidated net profit of US$2,478,000 for current quarter as compared to a consolidated net loss of US$121,440,000 for the corresponding quarter in 2016. Basic earnings per share was US$0.023 for the fourth quarter of 2017 while basic loss per share was US$1.441 (restated) for the corresponding quarter in 2016.

Revenue for the year 2017 increased 23% to US$73,547,000, comparing to US$59,955,000 for the year 2016. The Company recorded a consolidated net loss of US$4,031,000 for the year 2017 while a consolidated net loss of US$189,091,000 was reported in 2016. The consolidated net loss for the year 2017 was attributable to the impairment loss on assets held for sale (disposed vessels) of US$6,301,000 recognized in 2017 whereas US$45,462,000 was recognized in 2016. The impairment loss on assets held for sale (disposed vessels) is non-cash in nature and does not have impact on the operating cash flows of the Group. Basic loss per share for the year was US$0.043 as compared to basic loss per share of US$2.244 (restated) for the year 2016.

During the year, the Group took the opportunity to enter into five memorandums of agreement to dispose four Supramaxes and one Handysize at a total consideration of US$63,000,000. By using the net sale proceeds arisen from the disposals for the repayment of the vessel mortgage loans, the Group's overall indebtedness had been reduced by approximately US$52.3 million. The disposal of these five vessels would enable the Group to further enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio. For financial reporting purposes, these five disposed vessels were reclassified to "Assets held for sale" in accordance with IFRS 5 and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale (disposed vessels) of US$6,301,000 was recognized in 2017 upon reclassification to assets held for sale. Two vessels were delivered to the respective buyers in April 2017 while the three remaining vessels were delivered to the respective buyers in June 2017. Given the unpredictable and often high earnings volatility in our industry, the disposal of the vessels can further reduce our debt service pressure from both principal repayments and interest payments in an expected rising interest rate environment. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2017. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2017.

REVIEW OF OPERATIONS

Fourth Quarter of 2017. The momentum in dry bulk shipping market remained positive in the fourth quarter as limited newbuilding deliveries and increasing tonnage scrapping activities had kept the fleet growth at a reasonable level; with increasing seaborne trade volumes led by China imports of iron ore and coal. Market freight rates had rebounded from the trough as compared to the fourth quarter of 2016, where market sentiment had been subdued by the oversupply of tonnage and the uncertain demand prospects. Baltic Dry Index opened at 1,356 points at the beginning of October and continued to climb to the peak of the quarter at 1,743 points and closed at 1,366 points by the end of December. The average of Baltic Dry Index of the fourth quarter of 2017 was 1,509 points, which compares to 994 points in the same quarter in 2016.

Revenue for the fourth quarter of 2017 was US$21,107,000, representing an increase of 32% as compared to US$15,932,000 for the same quarter in 2016. The average daily time charter equivalent rates ("TCE") earned by the Group's owned vessels improved 70% to US$9,880 for the fourth quarter of 2017 as compared to US$5,812 for the corresponding quarter in 2016.

Average daily TCE of owned vessels	**2017 Q4** ***US$***	2016 Q4 *US$*	**2017** ***US$***	2016 *US$*
Post-Panamax / Panamax fleet	**11,430**	6,173	**8,645**	4,475
Supramax / Handymax / Handysize fleet	**9,726**	5,772	**8,063**	4,922
In average	**9,880**	5,812	**8,111**	4,871

Due to reduced number of owned vessels and the recognition of substantial impairment loss on owned vessels by end of 2016, the Group's depreciation and amortization dropped by 36% from US$7,401,000 for the fourth quarter of 2016 to US$4,740,000 for the fourth quarter of 2017.

Finance costs decreased by 19% from US$1,332,000 in fourth quarter of 2016 to US$1,079,000 in fourth quarter of 2017. The decrease was mainly attributable to the reduction in outstanding loan principal upon disposal of five vessels in 2017.

Year 2017. After a very tough year in 2016, the dry bulk shipping market has regained positive momentum since mid of 2017. The improved market conditions are driven by the accelerating seaborne activities, Chinese dry bulk demand in particular, and the slowdown of fleet growth in the market. Dry bulk shipping market have benefited from the improved balance between supply and demand in the second half of 2017. However, we remain cautious that the recent spike is driven by Chinese imports activities, any change in such demand would impact the freight rates and the dry bulk shipping market remains highly volatile. We remain positive in the longer term outlook as the supply side of dry bulk vessels would be limited, but it would take more years to prove a sustainable rebound. The overall recovery in dry bulk shipping market require a stronger demand and supply rebalance through slowing fleet growth, layups and scrapping of tonnages.

Revenue for the year 2017 increased 23% to US$73,547,000, comparing to US$59,955,000 for the year 2016. The Company recorded a consolidated net loss of US$4,031,000 for the year 2017 while a consolidated net loss of US$189,091,000 was reported in 2016. The average daily TCE earned by the Group's owned vessels increased 67% to US$8,111 for the year 2017 as compared to US$4,871 for the year 2016. The consolidated net loss for the year 2017 was attributable to the impairment loss on assets held for sale (disposed vessels) of US$6,301,000 recognized upon reclassification to assets held for sale of four Supramaxes and one Handysize for which the Group entered into disposal agreements and relevant disposals were completed in 2017. The impairment loss on assets held for sale (disposed vessels) is non-cash in nature and does not have impact on the operating cash flows of the Group. Basic loss per share for the year was US$0.043 as compared to basic loss per share of US$2.244 (restated) for the year 2016.

Other operating income decreased from US$20,535,000 for the year 2016 to US$11,758,000 for the year 2017 due to the reduced settlement income received from charterers in relation to repudiation claims from US$5,621,000 in 2016 to US$1,064,000 in 2017 and the reduced fair value gain on investment properties from US$4,732,000 in 2016 to US$1,087,000 in 2017. Other operating income also included a net gain of US$4,052,000 on financial assets at fair value through profit or loss whereas net loss of US$2,086,000 on financial assets at fair value through profit or loss was recognized in 2016 and was included in other operating expenses. The Group will continue to seek all legal means to recover the amounts granted in the arbitration awards.

For the year 2017, the Group took the opportunity to enter into five memorandums of agreement to dispose four Supramaxes and one Handysize. The Directors believe that the disposal of the vessels would enable the Group to enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio and reduce our exposure in operational risk in the unpredictable and volatile market environment.

Shipping related expenses dropped from US$54,465,000 for the year 2016 to US$43,698,000 for the current year. The decrease was mainly attributable to the reduced number of owned vessels and the continued efforts in reducing vessels' running costs under the Group's cost reduction strategy in order to remain competitive in the current tough market environment.

Finance costs slightly increased to US$5,177,000 for the year 2017, as compared to US$5,115,000 for the year 2016. The interest saving from the reduction in outstanding loan principal upon disposal of five vessels in 2017 was offset by the increased interest margin of 0.75% per annum for those loans restructured during the forbearance period under the intercreditor deed (the "ICD") forming between the Group and major lenders at end of 2016 and remained effective during the year 2017.

FINANCIAL REVIEW

During the year, capital expenditure on additions of property, plant and equipment was US$4,976,000 (2016: US$5,014,000). As at 31 December 2017 and 2016, there was no capital expenditure commitments contracted by the Group but not provided for.

As at 31 December 2017, the Group's bank borrowings decreased to US$137,825,000 (2016: US$212,554,000), of which 44%, 26% and 30% are repayable respectively within one year, one to two years and two to five years. All bank borrowings were denominated in United States Dollars and were committed on floating rate basis. As at 31 December 2017, the Company maintained positive working capital position of US$41,967,000 (2016: US$47,767,000) and the total of the Group's equity and debt securities, bank balances and cash increased to US$101,920,000 (2016: US$74,722,000). During the year, net cash generated from operating activities amounted to US$40,011,000 (2016: US$34,669,000).

The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, decreased to 15% (2016: 61%) as at 31 December 2017. The drop in gearing ratio for the year was mainly attributable to the decrease in bank borrowings upon repayment of loans for five disposed vessels and the increase in bank balances from the proceeds of the rights issue carried out in the year. With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements. As at 31 December 2017, the Group is able to service its debt obligations, including principal and interest payments.

The Company announced on 3 July 2017 to carry out a rights issue raising up to NOK 201,708,816 in gross proceeds through the issuance of up to 25,213,602 new shares at a subscription price of NOK 8.00 per share where the shareholders in the Company as per the end of 4 July 2017 and registered with the Verdipapirsentralen (the "VPS"), the Norwegian Central Securities Depository on 6 July 2017 shall have preferential rights to subscribe for the new shares (the "Rights Issue"). The gross proceeds from the Rights Issue, amount to a total of NOK 201,708,816, will be used to further reduce the overall indebtedness, putting the Company on an even sounder and stronger financing footing to operate in an expected slowly recovering market going forward. The Rights Issue had been completed on 2 August 2017 and the Company's new total issued share capital is US$5,462,947.15 divided into 109,258,943 shares, each with a nominal value of US$0.05 and each giving one vote at the Company's general meeting.

An ICD forming between the Group and major lenders was executed in December 2016 and remained effective throughout the year 2017. Pursuant to the terms of the ICD, the Group shall pay 50% of each repayment installment during the forbearance period until 31 December 2018 (with early restructuring exit option) and the remaining 50% of each such installment be deferred and repaid after the end of the forbearance period in 2019. The ICD specified that an assessment of the Group's liquidity and financial capability would be completed in December 2017 to decide whether to continue or exit the forbearance period on 31 December 2017. As the Group fulfilled the liquidity and financial capability assessment, we received consent from respective lenders to exit and end the ICD on 31 December 2017.

Subsequent to the reporting date, the Group repaid all deferred installments during the forbearance period of US$31,407,000 to respective lenders on 10 January 2018. Immediately after the repayment of all deferred installments, the Group's total secured bank loans dropped from US$137,825,000 as of 31 December 2017 to US$106,418,000 on 10 January 2018.

FLEET

Owned Vessels

As at 31 December 2017 and 27 February 2018, the Group had twenty three owned vessels as follows:

	Number of owned vessels
Post-Panamax fleet	2
Supramax fleet	21
Total fleet	**23**

During the year, the Group had entered into five memorandums of agreement to dispose four Supramaxes and one Handysize, at a total consideration of US$63 million. Following the disposal of five vessels, the Group's total carrying capacity had been reduced from deadweight 1,602,343 metric tons to 1,341,902 metric tons. Five vessels had been delivered to the respective buyers during the year.

SIGNIFICANT LITIGATION UPDATE

Galsworthy Limited ("**Galsworthy**"), a wholly owned subsidiary of the Group, was the disponent owners of the vessel "CANTON TRADER" which was later renamed "JIN KANG". On 17 June 2008, Galsworthy entered into a time charter with Parakou Shipping Pte Limited ("**Parakou Shipping**") for a period of approximately five years, with delivery not due until March 2009. On or about 13 March 2009, Parakou Shipping wrongfully refused to take delivery of the vessel and Galsworthy accepted their conduct as a repudiation of the charter, bringing it to an end.

The dispute was the subject of various proceedings, but principally in London arbitration. By Arbitration Awards dated 31 August 2010 and 13 May 2011, the London arbitrators upheld Galsworthy's claims and awarded damages of approximately US$41.25 million plus interest and costs.

Parakou Shipping went into liquidation in 2011. Galsworthy has submitted a proof of debt in the liquidation in respect of its claim under the arbitration awards. Galsworthy has also been trying *inter alia* to enforce the arbitration awards against Parakou Shipping and its former directors and obtain compensation for its substantial losses. The present amount outstanding is in excess of US$60 million.

In one action Galsworthy has been funding Singapore proceedings commenced by the liquidator of Parakou Shipping against four of Parakou Shipping's former directors and related corporate entities (the "**Defendants**"), seeking to claw back assets into Parakou Shipping for distribution amongst the creditors. Judgment was obtained in February 2017 in a sum of SGD17 million against the Defendants but the Defendants have now appealed the same. The Liquidator cross appealed to increase the judgment amount.

(For more information with regards to the February 2017 judgment issued by Singapore High Court, please visit http://www.singaporelaw.sg/sglaw/laws-of-singapore/case-law/free-law/high-court-judgments/22706-parakou-shipping-pte-ltd-in-liquidation-v-liu-cheng-chan-and-others)

On 17 January 2018, the Singapore Court of Appeal substantially dismissed the Defendants' appeal and found in the Liquidator's favour. Amongst other things, the Singapore Court of Appeal upheld the Liquidator's argument that the London arbitration, and a litigation subsequently filed in the Hong Kong courts seeking indemnity against any liability in the arbitration, were commenced and pursued by the directors in breach of their fiduciary duties. The Court considered that evidence had been disregarded which showed that the directors' key concern was to avoid a statutory clawback period. The Court also agreed that certain asset sales that had taken place in late 2008 were done while Parakou Shipping was insolvent and were not part of a restructuring, as claimed by the former directors of Parakou Shipping. The Court found that a company resolution advanced as evidence of a restructuring plan by the Defendants was in fact an "an afterthought" produced later than its date under "suspicious circumstances". The Liquidator is entitled to seek either damages or an account of profits arising from the relevant breaches.

(For more information with regards to the January 2018 judgment issued by Singapore Court of Appeal, please visit https://www.supremecourt.gov.sg/docs/default-source/module-document/judgement/ca55-ca56-ca57-ca58-2017--2018-sgca-3(ed)-parakoufinal1-17jan18-pdf.pdf.)

Separately, in South Africa, actions relating to the two Arbitration Awards have been commenced against the vessel "PRETTY SCENE" in Durban. She was arrested in June 2016 by Galsworthy and remained under arrest (by Galsworthy and, from September 2017, the mortgagee) until she was sold at public auction on the mortgagee's application on 5 December 2017. The price obtained at auction was US$12 million plus the cost of bunkers.

The proceeds of sale are now the subject of competing claims between the mortgagee and Galsworthy. In the meantime, appeals continue before the South African Courts in respect of applications filed by the owners of the vessel "PRETTY SCENE" (the "Owners") to set aside Galsworthy's two arrests. A counter-claim has also been brought by the Owners against Galsworthy, seeking damages in respect of losses said to arise from the arrests.

Finally, legal action has been commenced in Hong Kong against three of the former directors of Parakou Shipping for unlawful means conspiracy. An injunction order, freezing assets belonging to the directors of Parakou Shipping, has been obtained. The substantive action is at an early stage.

RISK FACTORS

This report may contain forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including the Company's management's examination of historical operating trends. Although the Company believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties which are difficult or impossible to predict and are beyond its control, the Company cannot give assurance that it will achieve or accomplish these expectations, beliefs or targets.

Key risk factors that could cause actual results to differ materially from those discussed in this report will include but not limited to the way world economies, currencies and interest rate environment may evolve going forward, general market conditions including fluctuations in charter rates and vessel values, counterparty risk, changes in demand in the dry bulk market, changes in operating expenses including bunker prices, crewing costs, drydocking and insurance costs, availability of financing and refinancing, inability to obtain restructuring or rescheduling of indebtedness from lenders in liquidity trough, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents, piracy or political events, and other important factors described from time to time in the reports filed by the Company.

OUTLOOK

2017 represented an encouraging market for dry bulk shipping, with meaningful improvement in the freight market, as well as a healthy recovery in asset prices. Both the freight market and asset prices have rebounded from its trough to better levels. We continue to remain cautious nevertheless.

The difficulties faced by shipyards, buyers and financiers are all pointing towards a much reduced projected fleet growth. Newbuilding supply is currently at a low point by historical standards, and a more stable operating environment will be reached if this continues, time will tell and we remain patient to witness a healthier market ahead of us.

Our mindset remains to be prudent and continue to watch out for uncertainties in the global markets, in particularly the freight market, as well as the financial, commodity and currency markets. The global economy is currently stabilizing and moderate growth is witnessed as evidenced by the economic data from US and Europe. A continue growth in economic activity and hence international trade will benefit the Company. Simultaneously, uncertainties remain as to the unpredictable policies under the Trump administration and hence rising US protectionism, the future development of BREXIT for both EU and the UK, whether the current calm Korean Peninsula conflict will reignite, changes in technology as well as environmental policies causing changes in energy requirements will surely have global implications. Other unexpected events may occur and will inevitably introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. We will continue to refrain from using freight, bunker, currencies or interest rate derivatives to minimize any unnecessary business risks.

We are in a relatively fortunate position where we have no capital expenditure commitment in relation to newbuilding contracts, as well as no charter-in contracts at this juncture. Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position, maintaining a young and modern fleet, and focus on the further reduction of debt to ensure we sail through stormy waters.

We will intimately monitor cargo flows in order to deploy our vessels efficiently to optimize revenue, secure and maximize income including potential recoveries from outstanding charter disputes, ensuring the maintenance of a high quality, safe fleet of vessels, and keeping costs in check to enhance our margins in order to remain competitive.

Over the longer term, we will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under different kinds of scenarios. We will exercise our best efforts to be one of the survivors, a trustworthy partner to those who support us, and be a long term preferred vessel provider to our customers.

PUBLICATION OF FINANCIAL INFORMATION

This report is available on the website of the Company at www.jinhuiship.com and the NewsWeb of the Oslo Stock Exchange at www.newsweb.no.

By Order of the Board

Ng Siu Fai
Chairman

28 February 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (PRELIMINARY)

	Note	**3 months ended 31/12/2017 (Unaudited) *US$'000***	3 months ended 31/12/2016 (Unaudited) *US$'000*	**Year ended 31/12/2017 (Unaudited) *US$'000***	Year ended 31/12/2016 (Audited) *US$'000*
Revenue	*2*	**21,107**	15,932	**73,547**	59,955
Other operating income		**3,821**	10,658	**11,758**	20,535
Interest income		**413**	470	**1,748**	2,121
Shipping related expenses		**(12,145)**	(12,953)	**(43,698)**	(54,465)
Staff costs		**(2,859)**	(2,201)	**(8,356)**	(9,334)
Impairment loss on owned vessels		**-**	(113,010)	**-**	(113,010)
Impairment loss on assets held for sale	*4*	**-**	(7,880)	**(6,301)**	(45,462)
Other operating expenses		**(2,040)**	(3,723)	**(7,529)**	(9,664)
Operating profit (loss) before depreciation and amortization		**8,297**	(112,707)	**21,169**	(149,324)
Depreciation and amortization		**(4,740)**	(7,401)	**(20,023)**	(34,652)
Operating profit (loss)		**3,557**	(120,108)	**1,146**	(183,976)
Finance costs		**(1,079)**	(1,332)	**(5,177)**	(5,115)
Profit (Loss) before taxation		**2,478**	(121,440)	**(4,031)**	(189,091)
Taxation	*6*	**-**	-	**-**	-
Net profit (loss) for the period / year		**2,478**	(121,440)	**(4,031)**	(189,091)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit or loss:					
Change in fair value of available-for-sale financial assets		**13**	(6)	**13**	(23)
Total comprehensive income (loss) for the period / year attributable to shareholders of the Company		**2,491**	(121,446)	**(4,018)**	(189,114)
Earnings (Loss) per share	*7*				
- Basic and diluted (restated)		**US$0.023**	US$(1.441)	**US$(0.043)**	US$(2.244)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PRELIMINARY)

	Note	31/12/2017 (Unaudited) US$'000	31/12/2016 (Audited) US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**263,959**	346,638
Investment properties	*9*	**15,632**	14,984
Available-for-sale financial assets	*10*	**376**	363
		279,967	361,985
Current assets			
Inventories		**58**	235
Trade and other receivables		**17,003**	16,823
Financial assets at fair value through profit or loss	*11*	**23,778**	46,168
Pledged deposits		**6,521**	6,495
Bank balances and cash	*12*	**78,142**	28,554
		125,502	98,275
Total assets		**405,469**	460,260
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	*13*	**5,463**	4,202
Reserves		**239,571**	220,091
Total equity		**245,034**	224,293
Non-current liabilities			
Secured bank loans	*14*	**76,900**	185,459
Current liabilities			
Trade and other payables		**22,526**	23,343
Amount due to holding company		**84**	70
Secured bank loans	*14*	**60,925**	27,095
		83,535	50,508
Total equity and liabilities		**405,469**	460,260

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PRELIMINARY)

	Issued capital	Share premium	Capital redemption reserve	Contributed surplus	Employee share-based compensation reserve	Reserve for available-for-sale financial assets	Retained profits	Total equity
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2016	4,202	72,087	719	16,297	4,758	48	315,296	413,407
Comprehensive loss								
Loss for the year	-	-	-	-	-	-	(189,091)	(189,091)
Other comprehensive loss								
Change in fair value of available-for-sale financial assets	-	-	-	-	-	(23)	-	(23)
Total comprehensive loss for the year	-	-	-	-	-	(23)	(189,091)	(189,114)
Transaction with owners								
Lapse of employee share options	-	-	-	-	(4,758)	-	4,758	-
At 31 December 2016	4,202	72,087	719	16,297	-	25	130,963	224,293
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2017	4,202	72,087	719	16,297	-	25	130,963	224,293
Comprehensive loss								
Loss for the year	-	-	-	-	-	-	(4,031)	(4,031)
Other comprehensive income								
Change in fair value of available-for-sale financial assets	-	-	-	-	-	13	-	13
Total comprehensive loss for the year	-	-	-	-	-	13	(4,031)	(4,018)
Issue of new shares upon rights issue	1,261	23,498	-	-	-	-	-	24,759
At 31 December 2017	**5,463**	**95,585**	**719**	**16,297**	**-**	**38**	**126,932**	**245,034**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (PRELIMINARY)

	Note	**Year ended 31/12/2017 (Unaudited) *US$'000***	Year ended 31/12/2016 (Audited) *US$'000*
OPERATING ACTIVITIES			
Cash generated from operations		**45,314**	39,793
Interest paid		**(5,303)**	(5,124)
Net cash from operating activities		**40,011**	34,669
INVESTING ACTIVITIES			
Interest received		**2,059**	2,444
Increase in bank deposits with more than three months to maturity when placed		**(13,400)**	-
Dividend income received		**408**	721
Purchase of property, plant and equipment		**(4,976)**	(4,990)
Purchase of investment properties		**-**	(855)
Proceeds from disposal of property, plant and equipment		**-**	68
Proceeds from disposal of investment properties, net		**442**	-
Proceeds from disposal of assets held for sale, net		**61,640**	63,427
Net cash from investing activities		**46,173**	60,815
FINANCING ACTIVITIES			
Repayment of secured bank loans		**(74,729)**	(104,929)
(Increase) Decrease in pledged deposits		**(26)**	3,881
Proceeds from issue of new shares upon rights issue, net		**24,759**	-
Net cash used in financing activities		**(49,996)**	(101,048)
Net increase (decrease) in cash and cash equivalents		**36,188**	(5,564)
Cash and cash equivalents at 1 January		**28,554**	34,118
Cash and cash equivalents at 31 December	*12*	**64,742**	28,554

NOTES (PRELIMINARY):

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and have not been reviewed by our auditor, Grant Thornton Hong Kong Limited. The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2016. Amendments to International Financial Reporting Standards ("IFRS") and Hong Kong Financial Reporting Standards ("HKFRS") effective for the financial year ended 31 December 2017 do not have any material impact on the interim financial statements of the Group.

2. Revenue

The Group is principally engaged in the businesses of ship chartering and ship owning which are carried out internationally. Revenue represents chartering freight and hire income arising from the Group's owned and chartered-in vessels. Revenue recognized during the periods / years are as follows:

	3 months ended 31/12/2017	3 months ended 31/12/2016	**Year ended 31/12/2017**	Year ended 31/12/2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
Chartering freight and hire income:				
Hire income under time charters	**20,057**	14,689	**70,506**	57,412
Freight income under voyage charters	**1,050**	1,243	**3,041**	2,543
	21,107	15,932	**73,547**	59,955

3. Other operating income

Other operating income for the year 2017 mainly included net gain of US$4,052,000 on financial assets at fair value through profit or loss, change in fair value of investment properties of US$1,087,000 and settlement income of US$1,064,000 from a charterer in relation to repudiation claims.

Other operating income for the year 2016 mainly included change in fair value of investment properties of US$4,732,000 and settlement income of US$5,621,000 from charterers in relation to repudiation claims.

4. Impairment loss on assets held for sale

During the year, the Group took the opportunity to enter into five memorandums of agreement to dispose four Supramaxes and one Handysize at a total consideration of US$63,000,000. Five vessels were delivered to the respective buyers and the disposals were completed in April and June 2017. The disposal of these five vessels would enable the Group to further enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio. Given the unpredictable and often high earnings volatility in our industry, the disposal of the vessels can further reduce our debt service pressure from both principal repayments and interest payments in an expected rising interest rate environment. For financial reporting purposes, these five disposed vessels were reclassified to "Assets held for sale" in accordance with IFRS 5 and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale (disposed vessels) of US$6,301,000 was recognized in 2017 upon reclassification to assets held for sale.

For the year 2016, the Group entered into eight memorandums of agreement to dispose two Panamaxes, five Supramaxes and one Handymax at a total consideration of US$65,100,000. For financial reporting purposes, these eight disposed vessels were reclassified to "Assets held for sale" in accordance with IFRS 5 and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale (disposed vessels) of US$45,462,000 was recognized in 2016 upon reclassification to assets held for sale.

5. **Operating profit (loss) before depreciation and amortization**

This is stated after charging / (crediting):

	3 months ended 31/12/2017	3 months ended 31/12/2016	**Year ended 31/12/2017**	Year ended 31/12/2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
Realized loss (gain) on financial assets at fair value through profit or loss	**(779)**	9	**(1,865)**	1,719
Unrealized loss (gain) on financial assets at fair value through profit or loss	**263**	845	**(2,187)**	367
Net loss (gain) on financial assets at fair value through profit or loss	**(516)**	854	**(4,052)**	2,086
Reversal of impairment loss on trade receivables	**(51)**	-	**(59)**	(50)
Dividend income	**(187)**	(295)	**(451)**	(756)

6. **Taxation**

Taxation has not been provided as the Group has no assessable profit for all relevant periods / years.

7. **Earnings (Loss) per share**

	3 months ended 31/12/2017	3 months ended 31/12/2016	**Year ended 31/12/2017**	Year ended 31/12/2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Weighted average number of ordinary shares in issue as disclosed in previous announcement	**N/A**	84,045,341	**N/A**	84,045,341
Weighted average number of ordinary shares in issue (restated)	**109,258,943**	84,254,149	**94,667,104**	84,254,149
Net profit (loss) attributable to shareholders of the Company (US$'000)	**2,478**	(121,440)	**(4,031)**	(189,091)
Basic and diluted earnings (loss) per share (restated)	**US$0.023**	US$(1.441)	**US$(0.043)**	US$(2.244)

The weighted average numbers of ordinary shares for the calculation of the basic and diluted loss per share for the fourth quarter of 2016 and year of 2016 have been adjusted to reflect the impact of the Rights Issue following the completion of the Rights Issue in August 2017.

8. **Dividend**

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2017 (2016: nil).

9. **Investment properties**

	31/12/2017	31/12/2016
	(Unaudited)	(Audited)
	US$'000	*US$'000*
At 1 January	**14,984**	9,397
Additions	**-**	855
Disposals	**(439)**	-
Change in fair value	**1,087**	4,732
	15,632	14,984

The Group's investment properties were stated at fair value and comprised of premises and car parks held under operating leases to earn rentals or held for capital appreciation, or both. These premises and car parks are held under long term leases.

At the reporting date, the fair values of the Group's investment properties were determined by Centaline Surveyors Limited, an independent qualified professional valuer, on direct comparison approach on annually basis with reference to comparable transactions available in the relevant locality. In estimating the fair value of investment properties, the highest and best use of the properties is their current use. The fair value measurement of these investment properties was categorized as Level 3 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the year.

10. Available-for-sale financial assets

	31/12/2017	31/12/2016
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Unlisted club membership, at fair value	**206**	193
Unlisted club membership, at cost	**170**	170
	376	363

Unlisted club membership stated at fair value represented investment in club membership which its fair value can be determined directly by reference to published price quotation in active market. At the reporting date, the fair value measurement of this unlisted club membership was categorized as Level 1 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the year.

11. Financial assets at fair value through profit or loss

	31/12/2017	31/12/2016
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Held for trading		
Listed equity securities	**19,336**	15,229
Listed debt securities	**4,442**	30,939
	23,778	46,168

At the reporting date, the fair value measurements of listed equity securities and listed debt securities were determined by reference to their quoted bid prices in active markets and were categorized as Level 1 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13. There was no transfer among the three levels of the fair value hierarchy during the year.

12. Bank balances and cash

	31/12/2017	31/12/2016
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**64,742**	28,554
Bank deposits with more than three months to maturity when placed	**13,400**	-
	78,142	28,554

13. Share capital

	31/12/2017		31/12/2016	
	Number of ordinary shares of US$0.05 each	**Amount (Unaudited)**	Number of ordinary shares of US$0.05 each	Amount (Audited)
		US$'000		*US$'000*
Issued and fully paid:				
At 1 January	**84,045,341**	**4,202**	84,045,341	4,202
Issue of new shares upon rights issue	**25,213,602**	**1,261**	-	-
	109,258,943	**5,463**	84,045,341	4,202

The Company announced on 3 July 2017 to carry out a rights issue raising up to NOK 201,708,816 in gross proceeds through the issuance of up to 25,213,602 new shares at a subscription price of NOK 8.00 per share where the shareholders in the Company as per the end of 4 July 2017 and registered with the VPS, the Norwegian Central Securities Depository on 6 July 2017 shall have preferential rights to subscribe for the new shares (the "Rights Issue"). The Rights Issue had been completed on 2 August 2017 and the Company's new total issued share capital is US$5,462,947.15 divided into 109,258,943 shares, each with a nominal value of US$0.05.

14. Secured bank loans

The maturity of secured bank loans at the reporting date is as follows:

	31/12/2017	31/12/2016
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Within one year	**60,925**	27,095
In the second year	**35,139**	20,032
In the third to fifth year	**41,761**	162,527
Wholly repayable within five years	**137,825**	209,654
After the fifth year	**-**	2,900
Total secured bank loans	**137,825**	212,554
Less: Amount repayable within one year	**(60,925)**	(27,095)
Amount repayable after one year	**76,900**	185,459

An intercreditor deed (the "ICD") forming between the Group and major lenders was executed in December 2016 and remained effective throughout the year 2017. Pursuant to the terms of the ICD, the Group shall pay 50% of each repayment installment during the forbearance period until 31 December 2018 (with early restructuring exit option) and the remaining 50% of each such installment be deferred and repaid after the end of the forbearance period in 2019. The ICD specified that an assessment of the Group's liquidity and financial capability would be completed in December 2017 to decide whether to continue or exit the forbearance period on 31 December 2017. As the Group fulfilled the liquidity and financial capability assessment, we received consent from respective lenders to exit and end the ICD on 31 December 2017.

Subsequent to the reporting date, the Group repaid all deferred installments during the forbearance period of US$31,407,000 to respective lenders on 10 January 2018. Immediately after the repayment of all deferred installments, the Group's total secured bank loans dropped from US$137,825,000 as of 31 December 2017 to US$106,418,000 on 10 January 2018.

15. Capital expenditures and commitments

During the year, capital expenditure on additions of property, plant and equipment was US$4,976,000 (2016: US$5,014,000). As at 31 December 2017 and 2016, there was no capital expenditure commitments contracted by the Group but not provided for.

16. **Related party transactions**

During the periods / years, the Group had related party transactions in relation to compensation of key management personnel as follows:

	3 months ended 31/12/2017	3 months ended 31/12/2016	**Year ended 31/12/2017**	Year ended 31/12/2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
Salaries and other benefits	**1,746**	1,307	**4,665**	5,577
Contributions to retirement benefits schemes	**49**	49	**198**	281
	1,795	1,356	**4,863**	5,858

17. **Comparative information**

Certain comparative information has been restated due to the completion of the Rights Issue in August 2017. The weighted average number of ordinary shares used in the calculation of loss per share has been adjusted for the Rights Issue and the comparative of basic and diluted loss per share for prior period / year has been restated to reflect such effect.

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