2019
ANNUAL REPORT

JINHUI

JINHUI SHIPPING
AND TRANSPORTATION LIMITED

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ng Siu Fai, *Chairman*
Ng Kam Wah Thomas, *Managing Director and Deputy Chairman*
Ng Ki Hung Frankie
Ho Suk Lin Cathy

Non-executive Directors

Tsui Che Yin Frank
William Yau

AUDIT COMMITTEE

Tsui Che Yin Frank, *Chairman*
William Yau

REMUNERATION COMMITTEE

Tsui Che Yin Frank, *Chairman*
William Yau

COMPANY SECRETARY

Ho Suk Lin Cathy

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants

SHARE LISTING

The Company's shares are listed on the Oslo Stock Exchange (stock code: JIN)

SHARE REGISTRARS

Conyers Corporate Services (Bermuda) Limited
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Bermuda

Nordea Bank Abp, Filial Norge
P.O. Box 1166 Sentrum
0107 Oslo, Norway

REGISTERED OFFICE

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Hamilton HM 11
Bermuda

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Chairman's Statement

The Board is pleased to present the annual report of **Jinhui Shipping and Transportation Limited** for the financial year 2019.

Dry bulk shipping market remained weak in the beginning of the year as the collapse of mining dam in Brazil caused a slump of demand for dry bulk carriers for long-haul iron ore exporting activities. Market freight rates declined sharply in the first quarter of the year in particular to the Capesize. Baltic Dry Index opened at 1,271 points at the beginning of January and closed at 689 points by the end of March. In the second quarter, dry bulk shipping market had showed a steady improvement due to limited fleet growth and stabilized dry bulk commodities seaborne trades and Baltic Dry Index climbed to 1,354 points by the end of the second quarter of the year. Dry bulk freight rates steadily improved in the second half of the year, driven mainly by strong minor bulks trade and continued Chinese iron ore imports. Baltic Dry Index continued to climb to the peak in the third quarter at 2,518 points and softened in December and closed at 1,090 points by the end of December. Freight volumes and rates were trending down in December as the dry bulk commodities trades started slowing down with year-end holidays and Chinese New Year approaching and the macroeconomic concerns over rising geopolitical tensions, notably the trade dispute between the US and China, negatively affect the sentiment and dragged the growth and recovery lower than projected.

Revenue for the year 2019 decreased 17% to US$63,160,000, comparing to US$76,113,000 for the year 2018. The decrease was mainly due to the reduction in the number of owned vessels and slightly dropped of the average daily time charter equivalent rates earned by the Group's owned vessels. The Company recorded a consolidated net profit of US$4,495,000 for the year 2019, while a consolidated net profit of US$8,713,000 was reported in 2018. Basic earnings per share for the year was US$0.041 as compared to basic earnings per share of US$0.080 for the year 2018.

During the year, the Group's net gain on financial assets at fair value through profit or loss was US$1,498,000. The aggregate interest income and dividend income from financial assets was US$5,623,000 which included US$4,108,000 was derived from financial assets at fair value through profit and loss. Despite the Group recorded net gain of US$1,498,000 on financial assets at fair value through profit or loss for the year 2019, we remain cautious with the increased volatility in financial markets due to the negative effect of the US-China trade war and the recent outbreak of coronavirus across different regions, as well as the fluid outlook of interest rates.

During the year, the Group entered into six facility agreements, pursuant to which the Group agreed to provide six loans of US$38 million which are repayable in three years to five years. The loans are collateralized and the value of the collateral ships were approximately US$61.4 million which were appraised by independent qualified appraisal firms. Taking into consideration of, amongst other things, (i) the stable and recurring interest income expected to be generated from asset-based financing to the Group and (ii) the value of the collateral ships, we consider the provision of loans represent a reasonable allocation of capital into income generating assets that is asset-light. We believe the additional source of income from asset-based financing would help mitigate cyclicality from core shipping business. The Group's loan receivables, which arise from asset-based financing are denominated in United States dollars and are secured by collaterals provided by the borrowers, bear interest ranged from 8% to 10% per annum and are repayable with fixed terms agreed with the borrowers. As at 31 December 2019, the aggregate outstanding loan receivables from six borrowers were approximately US$37.7 million.

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, increased from 0.65% as at 31 December 2018 to 14.35% as at 31 December 2019. 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.

Chairman's Statement

In terms of freight environment, first two months of 2020 presented a challenge as the tide quickly turned due to the very unexpected and unfortunate outbreak of the coronavirus (COVID-19) during the Chinese New Year holidays. As of today, people across the globe have heightened their concern and business activity further declined across all industries. We will continue to monitor the development of COVID-19 outbreak very closely to assess its impact to our business, and will keep all shareholders informed timely and accordingly.

On a positive note, we have been vigilant on this front as a company in making sure our operations, as well as our colleagues at shore or at sea are in no way negatively affected by the COVID-19. We have adopted policies to ensure all our colleagues are healthy and remain positive in order to take action as soon as the market conditions pick up. We are cautiously optimistic that business activity will resume sooner than later, as governments and public health authorities around the world gain increased control over the spread of the COVID-19 in the coming days.

On behalf of the Board of Directors of the Company, I would like to express our heartfelt appreciation to all customers and stakeholders for their ongoing support. Going forward, we will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under all kinds of scenarios. We will continue to exercise our best efforts to be a trustworthy business partner. I would also like to take this opportunity to express my gratitude to my colleagues on the Board for their valuable contribution and to the staff for their hard work, commitment and dedication throughout the year.

Ng Siu Fai
Chairman

17 March 2020

Strategies and Business Profile

Jinhui Shipping is one of the world's largest, focussed grabs fitted Supramax owners offering high quality marine transportation services. It expands its modern and high quality fleet of dry bulk carriers through well-planned and timely acquisition and chartering of vessels.

Jinhui Shipping was incorporated with limited liability in Bermuda on 16 May 1994. Following a reorganization in June 1994, the Company became the immediate holding company of the shipping and investment group. Since 1994, Jinhui Shipping's shares have been trading under a full listing on the Oslo Stock Exchange (stock code: JIN).

As at date of this annual report, the major shareholder of the Company is Jinhui Holdings Company Limited which holds approximately 55.69% interests in the Company.

STRATEGIES

The Group's fleet comprise principally of Supramax class vessels, a larger and more efficient Handymax design that enjoys increasing demand from customers around the world. The Group will focus on taking sensible and decisive actions, maintaining a strong financial position and moderate leverage, not ruling out a reduction in fleet size in order to sail through the current storm by placing further emphasis on prudence and stability as our core objectives going forward and seek to be a preferred vessel provider for customers.

On the commercial side, our strategy is to maintain a flexible chartering policy to achieve an optimal balance between longer term time charterparties which generate a robust cash inflow, and spot exposure which allows the Group to take advantage of any upside in future charter rates. We will also further boost up our risk management efforts with the objective to minimize potential counterparty risks.

SHIPPING BUSINESS

The Group's shipping activities began in the mid 1980's, principally in the form of chartering dry bulk carriers worldwide. The Group masterminds a meticulous and complex shipping operation linking suppliers with end users around the world. Its chief task is to identify the exact requirements of customers and use suitable vessels to carry bulk cargoes for specific voyages or periods of time.

The Group operates a modern fleet of dry bulk carriers which are either used for carrying cargoes or time chartered-out to other shipping operators whichever is expected to bring a higher economic benefit to the Group.

The key success factors in the ship chartering business are timing, performance and relationship. Ship charterers have to know their customers and suppliers well, building up mutual trust and respect. It is in this important area that the Group has always excelled, helping to cement contracts and maintain reasonable business flow even during difficult periods when the economy is weak.

SHIPPING BUSINESS *(Continued)*

It is the Group's policy to comply with all applicable environmental rules and regulations in its shipping operations as well as in its daily working environment to avoid the emission of noxious liquids into the environment. The Group's owned vessels are well maintained and we place great emphasis on the operation in compliance with safety and environmental laws and regulations including but not limited to ISM Code, ISPS Code, MARPOL and other applicable rules regulated by IMO. We ensure all crew on board are trained and certificated in accordance with STCW Convention. Our owned vessels are also subject to the laws, regulations and rules of each country and port they visit. Starting from 1 January 2019, our vessels adopted IMO Data Collection System on fuel consumption and we switched to compliant low sulfur content bunker fuel in late 2019 in order to meet the IMO 2020 Sulphur Cap requirement which is in effect starting from 1 January 2020. We have developed policies and procedures intended to ensure our compliance with these laws, regulations and rules.

Owned Vessels

As at 31 December 2019, the Group had eighteen owned vessels and 399 crew employed on board.

Name	Type	Built	Builder	Size (dwt)
Jin Lang	Post-Panamax	2010	Jiangsu New Yangzi	93,279
Jin Mei	Post-Panamax	2010	Jiangsu New Yangzi	93,204
Jin Xiang	Supramax	2012	Oshima	61,414
Jin Hong	Supramax	2011	Oshima	61,414
Jin Sui	Supramax	2008	Shanghai Shipyard	56,968
Jin Tong	Supramax	2008	Shanghai Shipyard	56,952
Jin Yue	Supramax	2010	Shanghai Shipyard	56,934
Jin Gang	Supramax	2009	Shanghai Shipyard	56,927
Jin Ao	Supramax	2010	Shanghai Shipyard	56,920
Jin Ji	Supramax	2009	Shanghai Shipyard	56,913
Jin Wan	Supramax	2009	Shanghai Shipyard	56,897
Jin Jun	Supramax	2009	Shanghai Shipyard	56,887
Jin Xing	Supramax	2007	Oshima	55,496
Jin Yi	Supramax	2007	Oshima	55,496
Jin Yuan	Supramax	2007	Oshima	55,496
Jin Sheng	Supramax	2006	IHI	52,050
Jin Yao	Supramax	2004	IHI	52,050
Jin Ping	Supramax	2002	Oshima	50,777
				1,086,074

While the Group's expertise remains in Asia, by deploying a flexible and responsive sales strategy as well as an efficient fleet of vessels, the Group managed to serve a balancing portfolio of customers geographically during the year.

Loading Ports Analysis

	2019	2018
(Expressed as a percentage of revenue)	%	%
Asia excluding China	89.8	88.9
Australia	6.1	8.0
North America	1.5	–
China	1.4	3.1
Africa	1.2	–
	100.0	100.0

Discharging Ports Analysis

	2019	2018
(Expressed as a percentage of revenue)	%	%
China	92.9	94.7
Asia excluding China	7.1	5.3
	100.0	100.0

Types of Cargoes carried by the Group's Fleet

	2019		2018	
	Metric Tons *(in '000)*	%	Metric Tons *(in '000)*	%
Minerals	10,672	86.9	12,123	86.8
Coal	1,464	11.9	1,530	11.0
Steel products	96	0.8	218	1.6
Cement	44	0.4	90	0.6
	12,276	100.0	13,961	100.0

Highlights

KEY PERFORMANCE INDICATORS FOR SHIPPING BUSINESS

	2019	2018
	US$	US$
Average daily time charter equivalent rate [1]	**9,533**	9,922
Daily vessel running cost [2]	**3,927**	4,028
Daily vessel depreciation [3]	**2,084**	2,081
Daily vessel finance cost [4]	**412**	387
	6,423	6,496
Average utilization rate [5]	**99%**	99%

As at 31 December 2019, the Group had eighteen owned vessels. Revenue for the year was US$63,160,000, representing a decrease of 17% as compared to US$76,113,000 for the year 2018. The decrease was mainly due to the reduction in the number of owned vessels and the average daily time charter equivalent rate earned by the Group's owned vessels slightly dropped to US$9,533 for the year 2019 as compared to US$9,922 for the year 2018. Daily vessel running cost slightly decreased 3% from US$4,028 for the year 2018 to US$3,927 for the year 2019. Daily vessel finance cost increased 6% from US$387 for the year 2018 to US$412 for the year 2019 due to the rising interest rate. Fleet utilization rate is 99% for the year 2019 which is same as the year 2018. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

Notes:

1. Average daily time charter equivalent rate is calculated as the time charter revenue, and voyage revenue less voyage expenses divided by the number of available days in the year.

2. Daily vessel running cost is calculated as the aggregate of crew expenses, insurance, consumable stores, spare parts, repairs and maintenance and other vessels' miscellaneous expenses divided by ownership days in the year.

3. Daily vessel depreciation is calculated as the aggregate of vessels' depreciation charge divided by ownership days in the year.

4. Daily vessel finance cost is calculated as the aggregate of vessels' finance costs divided by ownership days in the year.

5. Average utilization rate is calculated as the number of operating days divided by the number of available days in the year.

FIVE-YEAR FINANCIAL SUMMARY

	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000
Key Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**63,160**	76,113	73,547	59,955	86,303
Operating profit (loss)	**8,818**	11,874	1,146	(183,976)	(373,897)
Finance costs	**(4,323)**	(3,161)	(5,177)	(5,115)	(4,846)
Profit (Loss) before taxation	**4,495**	8,713	(4,031)	(189,091)	(378,743)
Taxation	**–**	–	–	–	–
Net profit (loss) for the year	**4,495**	8,713	(4,031)	(189,091)	(378,743)
Other comprehensive income (loss)	**(233)**	(281)	13	(23)	–
Total comprehensive income (loss) for the year attributable to shareholders of the Company	**4,262**	8,432	(4,018)	(189,114)	(378,743)
Earnings (Loss) per share – Basic and diluted (restated)	**US$0.041**	US$0.080	US$(0.043)	US$(2.244)	US$(4.506)
Key Items in the Consolidated Statement of Financial Position					
Non-current assets	**283,113**	247,458	279,967	361,985	607,962
Current assets	**123,320**	114,179	125,502	98,275	151,442
Total assets	**406,433**	361,637	405,469	460,260	759,404
Total equity	**252,702**	250,953	245,034	224,293	413,407
Non-current liabilities	**64,869**	65,677	76,900	185,459	234,141
Current liabilities	**88,862**	45,007	83,535	50,508	111,856
Total equity and liabilities	**406,433**	361,637	405,469	460,260	759,404
Other Financial Information					
Gearing ratio	**14%**	0.65%	15%	61%	47%

Shareholders' Diary

Annual general meeting	19 May 2020
Announcement for the first quarter results 2020	29 May 2020*
Announcement for the second quarter results 2020	31 August 2020*
Announcement for the third quarter results 2020	30 November 2020*
Announcement for the fourth quarter results 2020	26 February 2021*

* *Subject to change*

Corporate Governance Report

Jinhui Shipping recognizes the importance of good corporate governance to the Company's value creation and has devoted considerable efforts to identify and formulate corporate governance practices appropriate to the Company in terms of practicality and suitability. The Board has the overall responsibility for the Company's corporate governance and ensures the Company implements sound corporate governance practice.

SECTION 3-3B OF THE NORWEGIAN ACCOUNTING ACT

The following specifies the items or information that must be disclosed under Section 3-3b of the Norwegian Accounting Act:

1. A statement of the code of practice and regulatory framework for corporate governance

Pursuant to Continuing Obligations, companies listed on the Oslo Stock Exchange must publish a comprehensive report on the company's corporate governance in the directors' report or in a document that is referred to in the directors' report. The report must cover every section of the Norwegian Code of Practice and must include the required report contents as set out in Section 3-3b of the Norwegian Accounting Act.

Jinhui Shipping has applied the principles as set out in the Norwegian Code of Practice as its corporate governance structure. The Company gives an annual review of the corporate governance report which covers every section for its compliance with the Norwegian Code of Practice, and explains the deviations with selected alternative approaches on pages 14 to 29 with the numbers refer to the section's numerical order of the Norwegian Code of Practice.

2. Information on where the code of practice and regulatory framework is publicly available

The Norwegian Code of Practice, which was revised and published on 17 October 2018 is available on the Norwegian Corporate Governance Board website (www.nues.no) and the Continuing Obligations is available on the Oslo Bors website (www.oslobors.no).

3. Explanation for any deviation from the Norwegian Code of Practice

Jinhui Shipping adhered to the Norwegian Code of Practice throughout the year except for certain deviations. We report our conformance and provide explanation of the reasons for the deviations and what solution we have selected in below fifteen separate sections as described in the Norwegian Code of Practice.

SECTION 3-3B OF THE NORWEGIAN ACCOUNTING ACT *(Continued)*

4. Description of the main elements of the Group's internal control and risk management systems associated with the financial reporting process

The Board is responsible for ensuring financial reporting process is subject to adequate control and has laid down instructions and guidelines on its own works as well as for the executive personnel on day-to-day operations and ongoing financial monitoring. The Board carries out a review of the Group's most significant risk areas in every six months and performs an annual review of its internal control systems. The Audit Committee assists the Board relating to the efficiencies of the Group's internal control over the financial reporting process; the effectiveness of the Group's risk management policies; and the qualifications and independence of the external auditor.

The Group adopts a uniform generally accepted accounting practice in the preparation of financial statements of the Company and its subsidiaries. The internal control systems identified in the financial reporting process are primarily designed to mitigate the risks including financial reporting risk, compliance-related risk, fraud risk, and risk on financial-accounting-related IT systems. The control procedures mainly include authorizations, segregation of duties, reconciliations, management review and IT controls over financial-accounting-related IT systems. To ensure adequate and effective internal control on financial reporting process is adopted and implemented, key control procedures are ongoing monitored by the executive personnel, regularly assessed by the Board and the Audit Committee and annually reviewed by the external auditor.

5. Provision in the Company's Memorandum of Association governing general meetings

The Company's Memorandum of Association and Bye-Laws laid down the shareholders' right proceedings at general meetings, voting rights, proxies, transfer of shares, and also the rules governing the alteration or amendment to bye-laws and memorandum of association. Both do not extend or depart from the general rules laid down in Chapter 5 of the Norwegian Public Limited Liability Companies Act, which governs general meetings. The Company's Memorandum of Association and Bye-Laws have been publicly disclosed in the website of the Company.

In November 2019, the Board proposed to amend the Company's prevailing Bye-Laws, inter alia, to update provisions of the Bye-Laws where it considered desirable and to better align with the most updated Companies Act 1981 of Bermuda (the "Companies Act"). Instead of carrying out piecemeal modifications on the prevailing Bye-Laws, the Board proposed that a new set of bye-laws of the Company that reflect the principal amendments, other miscellaneous amendments and changes which are primarily in line with the standard provisions of the bye-laws of other companies incorporated in Bermuda. The principal amendments (which were not exhaustive) included (1) the delivery of electronic records generally in line with the Companies Act, removing the requirement of printed copy of annual report to shareholders for the purpose of environmental protection and reducing printing and distribution costs, and publishing the annual report on the company website; and (2) giving the Board full discretion to decide whether or not to purchase or acquire its own shares in accordance with the Companies Act. The new Bye-Laws of the Company had been approved by the shareholders of the Company by way of a special resolution at the special general meeting held on 29 November 2019.

SECTION 3-3B OF THE NORWEGIAN ACCOUNTING ACT *(Continued)*

6. Composition of the Board and the main elements in the prevailing board instructions and guidelines

The Board adopted the Company's Bye-Laws 36 to 52 as its prevailing board instructions of procedures which laid down general powers, proceedings and administrative procedures of the directors of the Company.

The Board Committees, which include the Audit Committee and the Remuneration Committee, are appointed by the Board under respective terms of reference that specified their authorities, duties, reporting responsibilities and reporting procedures. The respective terms of reference of the Audit Committee and the Remuneration Committee have been publicly disclosed in the website of the Company. The composition of the Board and the board committee functions are further discussed below in Section 8 and Section 9 under the Norwegian Code of Practice.

7. Provision in the Company's Bye-Laws that regulates the appointment and replacement of members of the Board

Pursuant to the Company's Bye-Law 36, the Directors shall be elected or appointed in the first place at the statutory meeting of members and thereafter in accordance with Bye-Law 38 and shall hold office until the next appointment of Directors or until their successors are elected or appointed.

Bye-Law 38 stipulates that notwithstanding any other provisions in the Company's Bye-Laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman and / or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

There are also provisions in Bye-Law 40 and Bye-Law 41 in relation to the removal of Directors and the disqualification of Directors.

8. Mandates that give the Board the right to decide on share repurchases or to issue new shares

There are two existing general mandates in place that give the Board the power to repurchase shares of the Company which shall not be more than 10% of the aggregate nominal amount of the issued share capital of the Company and the power to issue, allot and dispose of shares of the Company not exceeding the aggregate of 30% of the issued share capital of the Company on the date of the resolution. These general mandates were granted to the Board in the Company's annual general meeting held on 15 May 2019 and are valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company. The provision in the Company's Bye-Law 2 and Bye-Law 3 giving the Board the right to issue new shares and to purchase its shares.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

The section numbers mentioned below refer to the fifteen sections under the Norwegian Code of Practice.

SECTION 1 Implementation and reporting on corporate governance

Jinhui Shipping has applied and followed the principles as set out in the Norwegian Code of Practice. The corporate governance report of 2019 covered every section of Norwegian Code of Practice with the description of our conformance throughout the year and the explanation of the reasons for the deviations.

Section 2 Business

The objects of Jinhui Shipping are set out in its Memorandum of Association, which include the businesses of, inter alia:

- acting and performing all the functions of a holding company;
- acting as ship owners, managers, operators and agents; and
- acquiring, owning, selling, chartering, repairing or dealing in ships.

The Group's main objectives, strategies and risk profiles for our businesses are discussed in "Strategies and Business Profile" on pages 5 and 6 and in the section of Risk Management in "Directors' Report" on pages 47 to 49.

The Company has promulgated a set of Company Code, which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. The Company Code also includes corporate social responsibility guidelines and ethical guidelines, and is prepared and updated by referencing to the principles set out in the Norwegian Code of Practice and other applicable rules and regulations. In addition to formalizing existing corporate governance principles and practices, the Company Code also serves the purpose of assimilating existing practices with benchmarks prescribed by the Norwegian Code of Practice and ultimately ensuring high transparency and accountability to the Company's shareholders. The directors and employees of Jinhui Shipping are subject to a range of rules laid down by legislation and regulations, as well as the Company Code and rules and ethical values and guidelines described in the staff handbooks.

Jinhui Shipping shall maximize shareholders' values by increasing the Company's equity value and distributing dividends to shareholders and the Board evaluates the strategies and risk profiles annually.

Section 3 Equity and dividends

Equity

Jinhui Shipping's capital adequacy is kept under constant review in relation to its objectives, strategies and risk profile. As at 31 December 2019, the Group's total equity was US$252,702,000, accounting for 62% of its consolidated total assets. The Board considers the present equity structure to be satisfactory.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 3 Equity and dividends *(Continued)*

Dividend policy

The amount and timing of any dividend distributions in the future will depend, among other things, on our compliance with covenants in our credit facilities, earnings, financial condition, cash position, Bermuda law affecting the dividend distributions, restrictions in our financing agreements and other factors. In addition, the declaration and payment of dividend distributions is subject at all times to the discretion of our Board.

The Board has resolved not to recommend the payment of any interim / final dividend for the year. The dividend policy will be regularly assessed by the Board and will depend, among other things, on the Group's financial obligations, leverage, liquidity and capital resources, and the market conditions. During the year, there was no proposal for the Board to be given any mandate to approve the distribution of dividends.

Increase in share capital

According to the Company's Bye-Law 4.3, the shareholders shall have the first and preferential right to subscribe for and be allotted any shares of the Company proposed to be issued in proportion to the number of shares held by them, unless the Company by special resolution otherwise decides to waive the shareholders' preferential rights in respect of a particular issue of shares or generally for any period not exceeding five years.

At the 2019 Annual General Meeting of the Company, a general mandate had been granted to the directors of the Company to increase not exceeding the aggregate of 30% of the issued share capital of the Company which would be valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company. No shares were being issued under this authorization in 2019.

According to the Norwegian Code of Practice, the mandate granted to the board of directors to increase the company's share capital should be restricted to defined purposes.

In view of the increasingly volatile nature of today's financial markets, the Board believes having a general mandate in place enables the Company to respond swiftly to the then prevailing market conditions should an equity fund raising exercise be determined to be the appropriate funding channel and proposes this general mandate at the forthcoming annual general meeting.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 3 Equity and dividends *(Continued)*

Purchase of own shares

At the 2019 Annual General Meeting of the Company, a general mandate had been granted to the directors of the Company to purchase not more than 10% of the aggregate nominal amount of the issued share capital of the Company which would be valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company. No shares were being repurchased under this authorization in 2019.

According to the Norwegian Code of Practice, the mandate granted to the board of directors to purchase the company's share capital should be restricted to defined purposes.

In view of the increasingly volatile nature of today's financial markets, the Board believes having a general mandate in place enables the Company to make timely decisions according to the then prevailing market conditions should the purchase of own shares is determined to generate the most value for shareholders of the Company. With effect from the adoption of the Bye-Laws passed at the special general meeting held on 29 November 2019, the Board may exercise all the powers of the Company to purchase or acquire all or any part of its own shares in accordance with the Companies Act.

Section 4 Equal treatment of shareholders and transactions with close associates

Equal treatment of shareholders

Jinhui Shipping has one class of shares in issue. All shares have equal voting rights. There are provisions in the Company's Bye-Law 4 in relation to shareholder's voting rights.

Share issues

In the event of an increase in share capital where the Board resolves to carry out an increase in share capital on the basis of a mandate granted to the Board that waives the pre-emption rights of existing shareholders, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital. No shares were being issued in 2019.

Transactions in its own shares

Jinhui Shipping's shares are liquid. In the event the Company carries out transactions in its own shares, it would only carry out such transactions either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the Company's shares, the Company would consider other ways to ensure equal treatment of all shareholders. No transactions in shares were being carried out by the Company in 2019.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 4 Equal treatment of shareholders and transactions with close associates *(Continued)*

Transactions with close associates

Jinhui Shipping is a listed issuer on the Oslo Stock Exchange and is a subsidiary of Jinhui Holdings Company Limited, whose shares are listed on the Hong Kong Stock Exchange. The directors of the Company and executive personnel have the obligations to follow rules, regulations and guidelines in relation to transactions with close associates as set out by the Financial Supervisory Authority of Norway, the Stock Exchange of Hong Kong Limited, the International Accounting Standards Board and the Hong Kong Institute of Certified Public Accountants.

Section 5 Shares and negotiability

Jinhui Shipping's shares are freely traded in the Oslo Stock Exchange. The Company's shares are registered shares with its shareholders register located at Bermuda. Shareholders of the Company may transfer their shares by an instrument of transfer in the usual common form or in such form as decided by the Board.

In general, all shares are freely negotiable. However, the Board may deny the transfer of shares according to the Bye-Law 11 of the Company. The Board has the option to decline to register the transfer of any share if the registration of such transfer would be likely to result in 50% or more of the aggregate issued share capital and the votes of the Company being held or owned directly or indirectly by a person or persons resident for tax purposes in Norway.

The Board considers that it is appropriate to impose such restriction which protects the existing Norwegian shareholders from unexpected tax changes in Norway for the common interest of the Company and the shareholders. This type of restriction is common for Bermuda and other low-tax jurisdiction companies listed on the Oslo Stock Exchange.

Section 6 General meetings

Attendance by shareholders

Shareholders of the Company are entitled to attend shareholders' meeting in person or by proxy. The notice of calling general meeting and the supporting information, including the procedures for representation at the meeting through a proxy, the information for each resolution to be considered at the general meeting and for each of the candidates nominated for election, are published on the Company's website no later than 21 days prior to the date of the general meeting.

As a general rule, decisions which shareholders are entitled to make pursuant to Bermuda law may be made by a simple majority of votes cast at a general meeting. However, the Bye-Laws of the Company provides that any decision to, inter alia, amend Bye-Laws of the Company or alter the share capital of the Company requires the approval of at least two-thirds of votes cast by those members present in person or by proxy at a general meeting.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 6 General meetings *(Continued)*

Attendance by shareholders *(Continued)*

In order to comply with the requirements of the Registration Agreement dated 30 September 1994 between the Company and Nordea Bank, and Bermuda law, all of the shares of the Company registered in the VPS are registered on the register of shareholders of the Company in the name of Nordea Bank. Nordea Bank alone will be entitled to attend and vote at general meetings in respect of shares so held. Nordea Bank has agreed that whenever it receives a notice that a shareholders' meeting of the Company is called, it shall despatch to each beneficial owner of the shares registered in the VPS (or its nominee), a copy of the notice. Nordea Bank has also agreed not to attend or vote at any such meeting other than in accordance with proxies from shareholders registered in the VPS. In order to vote through Nordea Bank at annual or special general meetings, shareholders must have registered their shareholdings in the VPS (usually registration of shares takes 3 business days) and have deposited a valid proxy form at Nordea Bank not less than 48 hours before the time appointed for holding the general meeting.

Participation by shareholders in absentia

Shareholders are given information on the procedures for representation at the general meeting through a proxy. As an alternative to voting in person in the general meetings, shareholders may appoint the chairman of the general meeting or to appoint another person as their proxies to attend and vote at the general meeting according to the procedures and instructions as shown in the notice of general meetings.

The proxy form of the Company is drawn up with separate voting instructions for each matter to be considered by the meeting. For directors who are subject to retirement by rotation at the annual general meeting, shareholders are given the opportunity to vote separately for each candidate nominated for election or re-election as director of the Company.

Attendance by the board of directors and auditor

The Chairman attends and chairs the general meetings. Other members of the Board are entitled to attend and the external auditor is present at the annual general meeting. The 2020 Annual General Meeting is scheduled on 19 May 2020. Notice of 2020 Annual General Meeting will be published on the website of the Company and the NewsWeb of the Oslo Stock Exchange and will be despatched to shareholders of the Company in early April 2020.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 6 General meetings *(Continued)*

Chairman of the general meetings

According to Bye-Law 27 of the Company, every general meeting of the Company should be chaired by the president of the Company or the Chairman, or in his absence, another Director.

This constitutes a deviation from the Norwegian Code of Practice which states that the general meeting should be chaired by an independent chairman.

The Board considers that as the leader of the Group and having sufficient experience and knowledge, the Chairman is the most suitable person to chair a general meeting.

Section 7 Nomination committee

The Company has not established a nomination committee and there is no provision for establishing such committee in its Bye-Laws. This constitutes a deviation from the Norwegian Code of Practice.

The Board considers that it could monitor the need for any changes in the composition of its members and to maintain contacts with shareholders, board committee members and executive personnel. The Board believes that the current board composition is sufficient to represent the interests of all shareholders.

The Board will undertake adequate due diligence in respect of such individual and consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

(a) Reputation for integrity;

(b) Accomplishment, experience and reputation in the shipping industry and other relevant sectors;

(c) Commitment in respect of sufficient time, interest and attention to the Company's business;

(d) Diversity in all aspects, including but not limited to gender, age, cultural / educational and professional background, skills, knowledge and experience;

(e) The ability to assist and support management and make significant contributions to the Company's success; and

(f) Any other relevant factors as may be determined by the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Company's Bye-Laws and other applicable rules and regulations.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 8 Board of Directors: composition and independence

The Board has the ultimate responsibility for the management and administration of the affairs of the Company and for supervising day-to-day management and activities in general; it also has the overall responsibility for the Group's good corporate governance practices, internal control and risk management.

During the year, the Board comprised of four executive directors, including the Chairman and the Managing Director, and two non-executive directors. The Chairman is responsible for overseeing the functioning of the Board whilst the Managing Director, supported by the executive directors, is responsible for managing the Group's business, including the implementation of major strategies and initiatives adopted by the Board. All non-executive directors, who are shareholder-elected members and independent of executive personnel, material business contacts and main shareholders of the Company, serve the important function of advising the management on strategies development and ensure that the Group maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole.

All directors of the Company are kept informed on a timely basis of major changes that may affect the Group's business, including relevant rules and regulations. The Board meets regularly and approves the Group's overall strategies, major acquisitions and disposals, annual and quarterly results and any other significant operational and financial matters. Members of the Board are encouraged to own shares in the Company. The directors will seek independent professional advice in performing their duties where appropriate. Executive personnel have the responsibility for implementation of the Group's strategic planning and decision made by the Board and monitoring day-to-day operation of the Company.

Bye-Law 38 stipulates that notwithstanding any other provisions in the Company's Bye-Laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman and / or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As at date of this annual report, directors who hold office of the Company are listed below:

Executive Directors
Ng Siu Fai [1], *Chairman*
Ng Kam Wah Thomas [1], *Managing Director and Deputy Chairman*
Ng Ki Hung Frankie [1]
Ho Suk Lin Cathy [1]

Non-executive Directors
Tsui Che Yin Frank [2]
William Yau [2]

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 8 Board of Directors: composition and independence *(Continued)*

Notes:

1. Mr. Ng Siu Fai, Mr. Ng Kam Wah Thomas, Mr. Ng Ki Hung Frankie and Ms. Ho Suk Lin Cathy are executive directors of Jinhui Holdings Company Limited, the Company's holding company.

2. Mr. Tsui Che Yin Frank and Mr. William Yau are independent non-executive directors of Jinhui Holdings Company Limited.

There are departures from the Norwegian Code of Practice which states that general meeting should elect the chairman of the board of directors; the board of directors should not include executive personnel; and the term of office for members of the board of directors should not be longer than two years at a time.

Dry bulk shipping is a highly specialized industry, and requires executives with substantial amount of industry experience to fully comprehend and to monitor the performance of the Group. The Chairman and the Managing Director have extensive experience and knowledge in dry bulk shipping business and their duties for overseeing the functioning of the Board and all aspects of the Group's operations are clearly beneficial to the Group. Despite the executive directors being executive personnel of the Group and performing executive management function in day-to-day operations, the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability and the other two executive directors are with extensive experiences in shipping business and management. In addition, members of the Board are obliged to disqualify themselves from participation in handling of individual matters in which the board member, or its close associates, has a particular interest. The Company believes the current board composition is sufficient to represent the interests of all shareholders and this will not impair the balance of power and authority between the Board and the management of the Company. The biographical details of the directors of the Company are set out in "Board of Directors and Executive Personnel"on pages 30 and 31.

Board meetings attendance

The Board meets at least quarterly and on other occasions when a Board decision is required on major issues. In 2019, the Board held six meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Ng Siu Fai	6
Ng Kam Wah Thomas	6
Ng Ki Hung Frankie	6
Ho Suk Lin Cathy	6
Non-executive Directors	
Tsui Che Yin Frank	6
William Yau	6

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 9 The work of the Board of Directors

The Board deals with matters of strategic and major financial importance to the Company on a regular basis. At least one Board meeting per annum is set aside for discussion of the Group's strategies. During such meetings, the Board reviews the expectation of the Group's business outlook and financial forecast perspective and discusses the overall strategies going forward. In any material event that the Chairman has an active involvement, the Board meeting will be chaired by other members of the Board. In addition, the Company has established guidelines to make sure the directors of the Company and executive personnel would notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company and its subsidiaries and would pay particular attention to obtain independent valuations for any material transactions between the Group and its close associates. According to the Company Code, members of the Board are obliged to disqualify themselves from participation in handling of individual matters in which the board members, or its close associates, have a particular interest. These practices would ensure independence of matters to be considered by the Board. The Board has guidelines on its own works as well as for the executive personnel with clear internal allocation of responsibilities and duties.

Board committees

The Board is assisted by two board committees which are Audit Committee and Remuneration Committee. Their existence does not reduce the responsibility of the Board as a whole. Board committee meetings are convened to prepare matters for consideration and final decision by the Board as a whole. Material information that comes to the attention of board committees are also communicated to other members of the Board.

As a general principle, the board committees have an advisory role to the Board and members of such committees are restricted to members of the Board who are independent of executive personnel. They assist the Board in specific areas and make recommendations to the Board. However, only the Board has the power to make final decisions.

Audit Committee

The Audit Committee was established on 17 March 2006. The members of Audit Committee comprised of two non-executive directors, namely Mr. Tsui Che Yin Frank (chairman of Audit Committee) and Mr. William Yau. The primary duties of the Audit Committee include the review of the Group's financial reporting, the nature and scope of audit review as well as the effectiveness of the systems of risk management and internal control and compliance. The Audit Committee is also responsible for making recommendations in relation to the appointment, re-appointment and removal of the auditor, and reviewing and monitoring the auditor's independence and objectivity. In addition, the Audit Committee discusses matters raised by the auditor and regulatory bodies to ensure that appropriate recommendations are implemented.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 9 The work of the Board of Directors *(Continued)*

Audit Committee *(Continued)*

The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the Company's half-yearly and annual reports before submission to the Board. The Group's annual consolidated financial statements for the year ended 31 December 2019 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

Remuneration Committee

The Remuneration Committee was established on 17 March 2006. The members of Remuneration Committee comprised of two non-executive directors, namely Mr. Tsui Che Yin Frank (chairman of Remuneration Committee) and Mr. William Yau. The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive directors and executive personnel, including salaries, bonuses, benefits in kind, pension rights and compensation payments, and make recommendations to the Board on the fees for the non-executive directors. The Remuneration Committee should consider factors such as the performance of executive directors and executive personnel, the profitability of the Group, salaries paid by comparable companies, time commitment and responsibilities of the executive directors and executive personnel, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Group.

As a matter of principle, no loans or advances are granted to any director. Presently, no share options are granted to any director by the Company.

The Remuneration Committee holds a meeting annually to review the remuneration to directors of the Company and executive personnel of the Group and makes recommendations to the Board.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 10 Risk management and internal control

It is the Board's responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board also oversees management in the design, implementation and monitoring of the risk management and internal control systems on an ongoing basis, and management shall confirm to the Board on the effectiveness of these systems at least annually.

The Board, through the assistance of Audit Committee, has conducted an annual review of the effectiveness of the Group's risk management and internal control systems, covering all material financial, operational and compliance controls. In particular, the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Group's accounting and financial reporting functions are reviewed. The annual review also covered the Group's significant and emerging risks in shipping business; the quality of management's ongoing monitoring of risks and of the internal control systems; the extend and frequency of communication of monitoring results to the Audit Committee and the Board; whether there is any significant control failings or weaknesses identified and the effectiveness of the Group's processes for financial reporting and relevant legislation and regulations compliance. For the year 2019, the review of the effectiveness of the Group's risk management and internal control systems has been conducted and certain key internal control systems have been independently reviewed by Grant Thornton Hong Kong Limited during the year and are reviewed by the Audit Committee on an ongoing basis so that the practical and effective systems are implemented. The Board is satisfied that such systems are effective and adequate and appropriate actions have been taken.

The risk management and internal control systems and accounting system of the Group are designed to identify and evaluate the Group's risk and formulate risk mitigation strategies, and to provide reasonable assurance that assets are safeguarded against unauthorized use or disposition, transactions are executed in accordance with management's authorization, and the accounting records are reliable for preparing financial information used within the business for publication, maintaining accountability for assets and liabilities and ensuring the business operations are in accordance with relevant legislation, regulations and internal guidelines, including guidelines for corporate social responsibility.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 10 Risk management and internal control *(Continued)*

The Group has a defined organizational structure with clearly defined lines of responsibility and authority. Each business unit / department is accountable for its daily operations and is required to report to executive directors on a regular basis. Policies and procedures are set for each business unit / department, which includes approvals, authorization, verification, recommendations, performance reviews, assets security and segregation of duties. The key control procedures include establishing and maintaining effective policies to ensure proper management of risks to which the Group are exposed and taking appropriate and timely action to manage such risks, establishing a structure with defined authorities and proper segregation of duties; monitoring the strategic plan and performance; designing an effective accounting and information system; controlling price sensitive information; and ensuring swift actions and timely communication with our stakeholders. At least twice a year, the management will report to the Audit Committee on the effectiveness of risk management and internal control systems. The Audit Committee review how management designs, implements and monitors risk management and internal control procedures, findings and recommendations and follow-up procedures on the annual assessment; and the Audit Committee will report on the overall effectiveness of the risk management and internal control systems to the Board annually. The Group's risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives. With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorized use of inside information and has communicated to all staff; the Board is aware of its obligations to announce any inside information in accordance with the relevant legislation and regulations. Based on the size and simple operating structure of the Group as well as the existing internal control processes, the Board has decided not to set up an internal audit department for the time being, when necessary, the Audit Committee under the Board would carry out the internal audit function and for reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group. In addition, only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs. Details of the Group's risk management policies are set out in "Directors' Report"on pages 47 to 49 and note 38 to the consolidated financial statements on pages 110 to 116.

Section 11 & 12 Remuneration of the Board of Directors and executive personnel

Directors' fees represent remuneration to members for holding capacity as directors of the Company and are determined based on the responsibility and expertise of the members, time commitment and the complexity of the Company's activities and do not link to the Company's performance. Directors' other emoluments represent remuneration to executive directors for being executive personnel of the Group and performing executive management functions in day-to-day operations and their other emoluments are determined based on guideline for the remuneration of the executive personnel. The guideline is also included in the Company's upcoming Notice of 2020 Annual General Meeting for shareholders' consideration.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 11 & 12 Remuneration of the Board of Directors and executive personnel *(Continued)*

The guideline for the remuneration of executive personnel, which is considered an advisory guideline (non-binding) is as follows:

(a) Fixed remuneration component

For fixed elements which include non-performance-based fixed base salary and allowances, and contributions to retirement benefits schemes, these are assessed and determined by the complexity and responsibility of the position, with a view to attract, retain and motivate high performing individuals and in line with the prevailing market conditions and local market practice. No individual should determine his or her own fixed remuneration. Fixed remuneration to individual executive directors and executive personnel are reviewed annually by the Remuneration Committee and subject to the Board's approval.

(b) Variable remuneration component

For variable elements which include performance-based discretionary bonus, these are assessed and determined by the overall performance of the individual and contribution to the business strategy and objectives, as well as shareholders' values of the Company. No individual should determine his or her own variable remuneration. Variable remuneration to individual executive directors and executive personnel are reviewed annually by the Remuneration Committee and subject to the Board's approval.

Since the dry bulk shipping industry is highly volatile and heavily influenced by external forces, it is inappropriate to link the performance-based variable remuneration solely to any financial measurable targets over a particular period or set an absolute limit to each remuneration component as it may generate meaningless results. The Board seeks to ensure appropriate balance amongst all performance factors in determination of variable remuneration component to executive personnel.

This constitutes deviations from the Norwegian Code of Practice which states that members of the board of directors should not take on specific assignments for the company in addition to their appointment as a member of the board; remuneration of the board of directors should not be linked to the company's performance; and performance-based remuneration to executive personnel should be based upon measurable targets and quantifiable factors over which the employee in question can have influence and the performance related remuneration should be subject to an absolute limit.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 11 & 12 Remuneration of the Board of Directors and executive personnel *(Continued)*

(b) Variable remuneration component *(Continued)*

Currently, the Company has not adopted any share option scheme and no equity-based compensation arrangement is granted to any directors and executive personnel. For any special equity-based compensation arrangement that will be granted to eligible executive personnel in future, these compensation arrangements will be determined by the individual's contribution to the promotion of and enhancement of the long term value of the Company. This equity-based remuneration will be considered by the Board and be included as a separate binding resolution in the general meeting subject to the shareholders' approval.

As mentioned in section 8, executive directors are performing executive personnel function, they received remuneration for additional duties as member of the Board. The Remuneration Committee has been established to assist the Board in developing and administering a fair procedure for determining on the specific remuneration packages of all executive directors and executive personnel of the Company. At the meeting held on 12 March 2020, the Remuneration Committee reviewed and made recommendations to the Board on the fees of the executive directors, other emoluments of the individual executive directors and executive personnel for the year 2019, and made recommendations to the Board on the remuneration packages of the individual executive directors and executive personnel for the year 2020 as well as fees for non-executive directors. Each component of remuneration to members of the Board are disclosed to the full board and approved by the Remuneration Committee and the Board. Details of the fees and other emoluments of the directors of the Company for the year 2019 are set out in note 12 to the consolidated financial statements.

Section 13 Information and communications

Jinhui Shipping strives to promote efficient and non-discriminatory communication of information to market participants. In order to further promote effective communication, the Company maintains a website to disseminate information electronically on a timely basis.

Financial reporting

The Board is responsible for the accounts and the presentation of the financial results to shareholders in general meetings. The Board reviews the Group's financial position and exposure in the Board meetings with the management every quarter. In such Board meetings, the management presents the Group's financial performance and the market situation to the Board where key profitability and financial ratios and any changes to the Group's strategies in response to changing market situation are discussed.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 13 Information and communications *(Continued)*

Financial reporting *(Continued)*

The quarterly results announcements are released by the Company for each quarter of a financial year within two months subsequent to each quarter end. Annual report together with audited consolidated financial statements are usually adopted by the Board within four months subsequent to each financial year end and are distributed to shareholders of the Company no later than 21 days prior to the annual general meeting.

The consolidated financial statements have been prepared in accordance with IFRS, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by IASB, and HKFRS which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The Company emphasizes the production of accounts and financial reporting in which shareholders and other investors alike can have confidence. Details of the Group's significant accounting policies are set out in note 4 to the consolidated financial statements.

Other market information

Jinhui Shipping has established guidelines for open communication of market information to market participants other than through general meeting. The Company also publishes major events such as annual general meeting, annual and quarterly reports, financial calendar, public presentations, and other material transactions through website of the Company at www.jinhuiship.com and the NewsWeb of the Oslo Stock Exchange at www.newsweb.no.

Section 14 Take-overs

According to the Norwegian Code of Practice, the board of directors should establish guiding principles for how it will act in the event of a take-over bid. However, there is no provision in the Bye-Laws of the Company regulating the Board's competence in the event of a take-over bid.

Nevertheless, the Board will adopt the provisions in the Norwegian Code of Practice as the guiding principles for how Company will act in the event of a take-over bid and will not attempt to influence, hinder or obstruct take-over bids for the Company's activities or shares.

In potential take-over situations, the Board will evaluate any offers that are commercially and financially beneficial to all shareholders of the Company, consider and arrange an independent valuation where the bidder is a major shareholder, and commit to act with extensive concern regarding representing the interest of all shareholders. The Board will follow the relevant rules and regulations as set out in the Norwegian Code of Practice in due course.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

Section 15 Auditor

The Board strives to have close and open cooperation with Grant Thornton Hong Kong Limited, the auditor of the Company. The Audit Committee obtains annual confirmation that the auditor satisfies the independence and objectivity requirements. The auditor submits an annual audit plan and presents the main features and scope of the planned work to the Audit Committee before commencement of annual audit. Also, the auditor has presented to the Audit Committee a review of the Company's internal control systems, including identified weaknesses and proposals for improvement. The Board particularly assesses whether the auditor exercises an adequate control function and the performance of the auditor has been reviewed.

The auditor participates in meetings of the Board that deal with the annual accounts. At these meetings, the auditor reviews the material changes in the Group's accounting principles and policies, identifies the significant risks and exposures of the Group, and comments on the Group's accounting and internal control systems during the course of audit. The auditor also attends the annual general meeting of the Company.

The Board has issued guideline that regulate management's access to use the auditor of the Company for various services as follows:

Audit services – include audit services provided in connection with the audit of the financial statements.

Other services – include services that would normally be provided by auditor other than audit services, for example, audit of the Group's provident funds, tax compliance, due diligence and accounting advice related to merge and acquisition, internal control review of systems and / or processes, and issuance of special audit reports for tax or other purposes. The auditor is invited to undertake those services that it must or is best place to undertake in capacity as auditor.

Other specific services – include reviews of third parties to assess compliance with contracts, risk management diagnostics and assessments, and non-financial systems consultations. The auditor is also permitted to assist management with internal investigations and fact-finding into alleged improprieties, where appropriate and necessary. These services are subject to specific approval by the Audit Committee.

In the forthcoming general meeting, the Board will report the remuneration paid to auditor including the details of the fee paid for audit services and any fees paid for other specific assignments. In 2019, the remuneration paid and payable to the auditor of the Company for the provision of the Group's audit services and other services were US$157,000 and US$12,000 respectively. Fees paid for other services mainly included fees for tax compliance services of US$2,000 and review of internal control systems of US$3,000. The auditor's remuneration excluded VAT as the external auditor performed its services in Hong Kong, where no VAT being imposed.

Board of Directors and Executive Personnel

BOARD OF DIRECTORS

Mr. Ng Siu Fai, *Chairman*
Aged 63. Appointed as a Director of the Company since 1994. As one of the two founders of the Group in 1987, Mr. Ng was appointed as the chairman of Jinhui Holdings, the Company's holding company, in 1991. His responsibility is to formulate strategic planning for the Group as well as overseeing all aspects of the Group's operations. Mr. Ng has extensive knowledge and working experience in the shipping industry as well as business management and China trade.

Mr. Ng is a brother of Messrs. Ng Kam Wah Thomas and Ng Ki Hung Frankie, both are directors of the Company (as disclosed hereinafter).

Mr. Ng Kam Wah Thomas, *Managing Director and Deputy Chairman*
Aged 57. Appointed as a Director of the Company since 1994. Mr. Ng is the other founder of the Group in 1987 and was appointed as a director of Jinhui Holdings since 1991. He is responsible for the Group's shipping activities. Mr. Ng has extensive knowledge and working experience in the shipping industry and business management. Mr. Ng holds a Bachelor's Degree in Arts from the University of Guelph in Canada and a Diploma in Management Studies, specializing in shipping, from the Plymouth Polytechnic in the United Kingdom.

Mr. Ng Ki Hung Frankie, *Executive Director*
Aged 66. Appointed as a Director of the Company since 1994 and a director of Jinhui Holdings since 1991. Mr. Ng is responsible for the Group's investments and business management. Mr. Ng has extensive working experience in the shipping industry as well as business management and China trade. He is currently an independent non-executive director of Flat Glass Group Co., Ltd. which is listed on the Hong Kong Stock Exchange since 2015 and Shanghai Stock Exchange since 2019.

Ms. Ho Suk Lin Cathy, *Executive Director*
Aged 56. Appointed as a Director and the Company Secretary of the Company since 1994 and a director of Jinhui Holdings since 1993. Ms. Ho is responsible for the Group's financial controls and secretarial matters. Ms. Ho has extensive working experience in finance and management. Prior to joining the Group in 1991, she worked in an international accounting firm. Ms. Ho is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

BOARD OF DIRECTORS *(Continued)*

Mr. Tsui Che Yin Frank, *Non-executive Director*

Aged 62. Appointed as a Non-executive Director of the Company since 2006 and an independent non-executive director of Jinhui Holdings since 1994. Mr. Tsui has extensive experience in investment and banking industries and held senior management positions at various international financial institutions. Mr. Tsui is a non-executive director of Melco International Development Limited listed in Hong Kong and a director of Mountain China Resorts (Holding) Limited listed in Canada. Mr. Tsui graduated with a Bachelor's and a Master's Degree in Business Administration from the Chinese University of Hong Kong and with a Law Degree from the University of London. He holds a Doctoral Degree in Business Administration from The University of Newcastle, Australia. Mr. Tsui is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities and Investment Institute.

Mr. William Yau, *Non-executive Director*

Aged 52. Appointed as a Non-executive Director of the Company since 2006 and an independent non-executive director of Jinhui Holdings since 2004. Mr. Yau has extensive experience gained from his senior management positions in various industries. He is at present a director of American Phil Textiles Limited, Fujian Shishi Rural Commercial Bank Co., Ltd. and Forum Restaurant (1977) Limited. Mr. Yau graduated with a Bachelor Degree of Computer Systems Engineering from the Carleton University in Canada.

EXECUTIVE PERSONNEL

Mr. Ching Wei Man Raymond, *Vice President*

Aged 45. Joined the Group in 2004 as Vice President, and is responsible for overseeing various activities for the Group, with particular focus in shipping related investments, corporate finance matters, investor relations, and new business development. Mr. Ching has extensive experience in shipping investments and in finance. Prior to joining the Group, he worked for a number of years in the investment banking division for a major US bank. Mr. Ching holds a Master of Engineering and a Master of Science (Finance), both from the Imperial College of Science, Technology and Medicine in London.

Mr. Shum Yee Hong, *Head of Management and Operation Department*

Aged 67. Joined the Group in 1992 as Head of Management and Operation Department, responsible for the ship operation activities of the Group. Mr. Shum has over 30 years of working experience in the shipping industry. Before joining the Group, Mr. Shum was a marine superintendent for an international shipping company.

Directors' Report

The Directors present their report and the audited consolidated financial statements of Jinhui Shipping and its subsidiaries for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are ship chartering and ship owning which are carried out internationally. There were no significant changes in the nature of the Group's principal activities during the year.

REGISTERED OFFICE

The Company is an exempted company registered in Bermuda and its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

RESULTS AND APPROPRIATIONS

The results of the Group for the year 2019 are set out in the "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 59.

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2019. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2019.

ALLOCATION OF NET PROFIT

The Board has proposed the net profit of the Group for the year 2019 amounting to US$4,495,000 to be allocated as an addition to retained profits.

RESERVES

Details of movements in reserves of the Group during the year are set out in the "Consolidated Statement of Changes in Equity" on page 62.

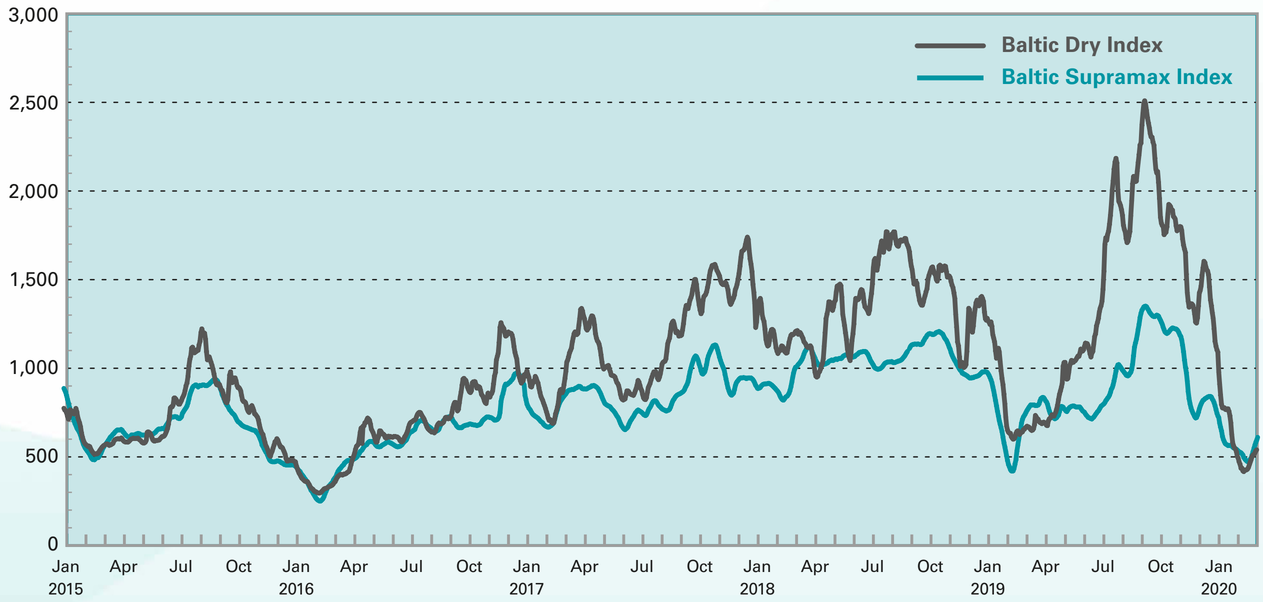
DIVIDEND POLICY

The amount and timing of any dividend distributions in the future will depend, among other things, on our compliance with covenants in our credit facilities, earnings, financial condition, cash position, Bermuda law affecting the dividend distributions, restrictions in our financing agreements and other factors. In addition, the declaration and payment of dividend distributions is subject at all times to the discretion of our Board.

BUSINESS REVIEW

Dry bulk shipping market remained weak in the beginning of the year as the collapse of mining dam in Brazil caused a slump of demand for dry bulk carriers for long-haul iron ore exporting activities. Market freight rates declined sharply in the first quarter of the year in particular to the Capesize. Baltic Dry Index opened at 1,271 points at the beginning of January and closed at 689 points by the end of March. In the second quarter, dry bulk shipping market had showed a steady improvement due to limited fleet growth and stabilized dry bulk commodities seaborne trades and Baltic Dry Index climbed to 1,354 points by the end of the second quarter of the year. Dry bulk freight rates steadily improved in the second half of the year, driven mainly by strong minor bulks trade and continued Chinese iron ore imports. Baltic Dry Index continued to climb to the peak in the third quarter at 2,518 points and softened in December and closed at 1,090 points by the end of December. Freight volumes and rates were trending down in December as the dry bulk commodities trades started slowing down with year-end holidays and Chinese New Year approaching and the macroeconomic concerns over rising geopolitical tensions, notably the trade dispute between the US and China, negatively affect the sentiment and dragged the growth and recovery lower than projected.

Baltic Dry Index & Baltic Supramax Index



Source: Bloomberg

BUSINESS REVIEW *(Continued)*

Average daily time charter equivalent rates	2019 US$	2018 US$
Post-Panamax fleet	**9,628**	11,689
Supramax fleet	**9,522**	9,743
In average	**9,533**	9,922

As at 31 December 2019, the Group had eighteen owned vessels. The Group's revenue represents chartering hire income arising from the Group's owned vessels. Hire income under time charter is accounted for as operating lease and is recognized on a straight-line basis over the period of each time charter contract. Revenue for the year 2019 was US$63,160,000 representing a decrease of 17% as compared to US$76,113,000 for the year 2018. The decrease was mainly due to the reduction in the number of owned vessels and the average daily time charter equivalent rates earned by the Group's owned vessels slightly dropped to US$9,533 for the year 2019 as compared to US$9,922 for the year 2018.

Revenue of US$21,484,000, US$15,993,000 and US$15,267,000 were derived from three charterers that contributed 34%, 25% and 24% respectively to the Group's revenue for the year 2019. Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding trade receivables are reviewed and followed up on an ongoing basis. For trade receivables from customers, credit evaluations including assessing the customer's creditworthiness and financial standing are performed on customers requiring a credit over certain amount. The management consider that the credit risks inherent in the Group's outstanding trade receivables within one year past due was immaterial.

Key Performance Indicators for Shipping Business	2019 US$	2018 US$
Average daily time charter equivalent rate	**9,533**	9,922
Daily vessel running cost	**3,927**	4,028
Daily vessel depreciation	**2,084**	2,081
Daily vessel finance cost	**412**	387
	6,423	6,496
Average utilization rate	**99%**	99%

BUSINESS REVIEW *(Continued)*

Daily vessel running cost slightly decreased 3% from US$4,028 for the year 2018 to US$3,927 for the year 2019. Daily vessel finance cost increased 6% from US$387 for the year 2018 to US$412 for the year 2019 due to the rising interest rate. Fleet utilization rate is 99% for the year 2019 which is same as the year 2018. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

As at 31 December 2019, the Group had eighteen owned vessels as follows:

	Number of owned vessels
Post-Panamax fleet	2
Supramax fleet	16
Total fleet	**18**

The Group entered into respective agreements in April 2019 in respect of the acquisition of two Supramaxes at a total consideration of US$12,000,000. The first vessel was delivered to the Group in May 2019. However, as one of the clauses with regards to a timely delivery of the second vessel under the second agreement cannot be fulfilled by the second vendor, the acquisition of the second vessel according to the second agreement was terminated in June 2019. The initial deposit of US$625,000 lodged with the escrow agent had been refunded to the Group in accordance with the terms of the second agreement.

In January 2019, the Group entered into an agreement to dispose of a Supramax of deadweight 50,209 metric tons at a consideration of US$7,381,000, which was delivered to the purchaser in March 2019. In December 2019, the Group entered into an agreement to dispose of a Supramax of deadweight 50,230 metric tons at a consideration of US$5,460,000, which was delivered to the purchaser in late December 2019. The disposal of two vessels to two purchasers with the payment terms of the balance of approximately US$4.4 million and US$4 million would be repayable in three years. To secure the purchasers' performance and observance of and compliance with all of the covenants, the purchasers provided first priority ship mortgage of the vessels in favour of the Group.

Following the above acquisition and disposal of the vessels, the Group's total carrying capacity had been decreased to deadweight 1,086,074 metric tons as at 31 December 2019.

During the year, the Group also entered into six facility agreements, pursuant to which the Group agreed to provide six loans of US$38 million which are repayable in three years to five years with interest ranged from 8% to 10% per annum. As at 31 December 2019, the aggregate outstanding loan receivables from six borrowers were approximately US$37.7 million. The loans are collateralized and the value of the collateral ships were approximately US$61.4 million which were appraised by independent qualified appraisal firms. Taking into consideration of, amongst other things, (i) the stable and recurring interest income expected to be generated from asset-based financing to the Group and (ii) the value of the collateral ships, we consider the provision of loans represent a reasonable allocation of capital into income generating assets that is asset-light. We believe the additional source of income from asset-based financing would help mitigate cyclicality from core shipping business.

FINANCIAL REVIEW

Revenue and operating profit. Revenue for the year 2019 decreased 17% to US$63,160,000, comparing to US$76,113,000 for the year 2018. The decrease was mainly due to the reduction in the number of owned vessels and the average daily time charter equivalent rates earned by the Group's owned vessels decreased 4% to US$9,533 for the year 2019 as compared to US$9,922 for the year 2018. The Company recorded a consolidated net profit of US$4,495,000 for the year 2019, while a consolidated net profit of US$8,713,000 was reported in 2018. Basic earnings per share for the year was US$0.041 as compared to basic earnings per share of US$0.080 for the year 2018.

Other operating income. Other operating income increased from US$6,182,000 for the year 2018 to US$7,855,000 for the year 2019. Other operating income for the year mainly included dividend income of US$1,929,000, net gain of US$1,498,000 on financial assets at fair value through profit or loss, rental income of US$435,000, net gain of US$608,000 on disposal of assets held for sale (disposed vessel), and settlement income of US$614,000 from a charterer in relation to repudiation claims.

Interest income. Interest income for the year 2019 increased to US$3,694,000, comparing to US$1,230,000 for the year 2018. The increase was attributable to the interest income arising from enlarged portfolio of listed debt securities and the stable interest income generated from loan receivables which were asset-based financing that help mitigate cyclicality from core shipping business.

Shipping related expenses. Shipping related expenses dropped from US$37,877,000 for the year 2018 to US$32,684,000 for the current year. The decrease was mainly attributable to the reduction in the number of owned vessels. Daily vessel running cost slightly decreased 3% from US$4,028 for the year 2018 to US$3,927 for the year 2019. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

Other operating expenses. Other operating expenses for the year 2019 mainly included professional fee of US$1,091,000, directors' fee of US$777,000, revaluation deficit of US$245,000 arisen from investment properties, auditor's remuneration related to audit services of US$157,000, bad debts written off in respect of trade receivables of US$214,000 and remaining are various office administrative expenses. Other operating expenses for the year 2018 mainly included net loss of US$3,920,000 on financial assets at fair value through profit or loss, professional fee of US$2,076,000, directors' fee of US$777,000, auditor's remuneration related to audit services of US$157,000, bad debts written off in respect of trade receivables of US$37,000 and remaining are various office administrative expenses. Other operating expenses decreased from US$10,381,000 for the year 2018 to US$5,596,000 for the current year due to the Group recorded net loss of US$3,920,000 on financial assets at fair value through profit or loss for the year 2018 as compared to net gain of US$1,498,000 which was included in other operating income for the year 2019. Despite the Group recorded net gain of US$1,498,000 on financial assets at fair value through profit or loss for the year 2019, we remain cautious with the increased volatility in financial markets due to the negative effect of the US-China trade war and the recent outbreak of coronavirus across different regions, as well as the fluid outlook of interest rates.

Finance costs. Finance costs increased to US$4,323,000 for the year 2019, as compared to US$3,161,000 for the year 2018 mainly due to the rising interest rate and the increase in new secured bank loans as compared with that of the year 2018.

FINANCIAL REVIEW *(Continued)*

Financial assets at fair value through profit or loss. As at 31 December 2019, the Group's portfolio of investment in financial assets at fair value through profit or loss was US$64,071,000 (2018: US$39,843,000), in which US$41,536,000 (2018: US$34,928,000) was investment in listed equity securities, US$22,535,000 (2018: US$4,355,000) was investment in listed debt securities and there was no (2018: US$560,000) investment in equity linked notes. During the year, the Group's net gain on financial assets at fair value through profit or loss was US$1,498,000 (2018: net loss of US$3,920,000 on financial assets at fair value through profit or loss). The aggregate interest income and dividend income from financial assets was US$5,623,000 (2018: US$1,977,000) which included US$4,108,000 (2018: US$1,016,000) were derived from financial assets at fair value through profit or loss. Despite the Group recorded net gain of US$1,498,000 on financial assets at fair value through profit or loss for the year 2019, we remain cautious with the increased volatility in financial markets due to the negative effect of the US-China trade war and the recent outbreak of coronavirus across different regions, as well as the fluid outlook of interest rates.

Loan receivables. During the year, the Group entered into two agreements to dispose of two vessels to two purchasers with the payment terms of the balance of approximately US$4.4 million and US$4 million which would be repayable in three years. To secure the purchasers' performance and observance of and compliance with all of the covenants, the purchasers provided first priority ship mortgage of the vessels in favour of the Group.

During the year, the Group also entered into six facility agreements, pursuant to which the Group agreed to provide six loans of US$38 million which are repayable in three years to five years with interest ranged from 8% to 10% per annum. As at 31 December 2019, the aggregate outstanding loan receivables from six borrowers were approximately US$37.7 million. The loans are collateralized and the value of the collateral ships were approximately US$61.4 million which were appraised by independent qualified appraisal firms. Taking into consideration of, amongst other things, (i) the stable and recurring interest income expected to be generated from asset-based financing to the Group and (ii) the value of the collateral ships, we consider the provision of loans represent a reasonable allocation of capital into income generating assets that is asset-light. We believe the additional source of income from asset-based financing would help mitigate cyclicality from core shipping business.

The Group's loan receivables, which arise from asset-based financing are denominated in United States Dollars and are secured by collaterals provided by the borrowers, bear interest ranged from 8% to 10% per annum and are repayable with fixed terms agreed with the borrowers. At the reporting date, these receivables have been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness and the collection statistics, and are not considered as impaired. The carrying amount of these loan receivables are considered to be a reasonable approximation of their fair values. The Group generally grants loans with a loan-to-value ratio of no more than 70% of the value in the valuation report of the vessels held as collateral. The directors consider that the credit risk arising from loan receivables is significantly mitigated by the vessels held as collateral, with reference to the market values of the vessels which were appraised by independent qualified appraisal firms.

FINANCIAL REVIEW *(Continued)*

Trade and other payables. As at 31 December 2019, the Group's trade and other payables was US$19,689,000 (2018: US$20,411,000), including trade payables of US$365,000 (2018: US$313,000), accrued charges of US$846,000 (2018: US$1,297,000) and other payables of US$18,478,000 (2018: US$18,801,000). Other payables mainly included payables related to vessel running cost and ship operating expenses of US$16,810,000 (2018: US$16,282,000) for owned vessels, hire receipt in advance of US$432,000 (2018: US$878,000) from charterers, loan interest payables of US$344,000 (2018: US$368,000) and accrued employee benefits payables of US$557,000 (2018: US$975,000).

Liquidity, financial resources and capital structure. As at 31 December 2019, the Group maintained positive working capital position of US$34,458,000 (2018: US$69,172,000) and the total of the Group's equity and debt securities, bank balances and cash increased to US$97,662,000 (2018: US$88,551,000). During the year, cash generated from operations before changes in working capital was US$18,316,000 (2018: US$22,127,000) and the net cash used in operating activities was US$44,098,000 (2018: net cash from operating activities was US$2,794,000). The changes in working capital are mainly attributable to the increase in equity and debt securities which generally contribute a higher yield than bank deposits and the loan receivables in respect of the six facility agreements.

The Group's total secured bank loans increased from US$90,183,000 as of 31 December 2018 to US$133,915,000 as at 31 December 2019, of which 51%, 10%, 35% and 4% are repayable respectively within one year, one to two years, two to five years and over five years. During the year, the Group had drawn new revolving loans and term loan of US$79,752,000 (2018: US$41,384,000). The bank borrowings represented vessel mortgage loans that were denominated in United States Dollars, revolving loans, term loan and property mortgage loans that were denominated in Hong Kong Dollars and United States Dollars. All bank borrowings were committed on floating rate basis.

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, increased to 14.35% (2018: 0.65%) as at 31 December 2019. 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 2019, the Group is able to service its debt obligations, including principal and interest payments.

FINANCIAL REVIEW *(Continued)*

Cash flows. The Company's consolidated statement of cash flows had been prepared in accordance with IAS 7 and HKAS 7. It provided information that enables users to evaluate the changes in the Group's inflows and outflows of cash and cash equivalents during the year.

The consolidated statement of cash flows was classified by operating, investing and financing activities and had been prepared under the indirect method, whereby operating profit or loss was adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Operating activities – Cash flows arising from operating activities are primarily derived from the principal revenue producing activities of the Group. The Group's net cash used in operating activities for the year was US$44,098,000 (2018: net cash from operating activities for the year was US$2,794,000). Net cash used in operating activities was determined by adjusting non-cash items such as depreciation and amortization, provisions and impairment losses; change in fair value of non-financial assets; changes in operating assets and liabilities consist of inventories, receivables and payables, and financial assets at fair value through profit or loss; and all other items for which the cash effects were included in investing or financing activities, such as net gain or loss on disposal of property, plant and equipment, investment properties and assets held for sale, dividend income and interest income; and including interest expenses paid during the year.

Investing activities – Cash flows arising from investing activities are primarily derived from cash proceeds or cash expenditures that result in a change in recognized assets in the consolidated statement of financial position which are not included in cash and cash equivalents. The Group's net cash used in investing activities for the year was US$7,787,000 (2018: net cash from investing activities for the year was US$28,792,000). Net cash used in investing activities mainly included interest received, dividend income received, cash payments or receipts in acquisition or disposal of property, plant and equipment and investment properties, proceeds from disposal of assets held for sale during the year, cash payment of unlisted equity investments and adjusting for cash flows resulting from the changes in long term bank deposits with more than three months to maturity when placed.

Financing activities – Cash flows arising from financing activities are primarily derived from cash proceeds or cash expenditures that result in changes in equity and subordinated liabilities. The Group's net cash from financing activities for the year was US$36,208,000 (2018: net cash used in financing activities for the year was US$47,060,000). Cash outflows from financing activities mainly due to repayment of various secured bank loans, and dividends paid to shareholders of the Company whereas cash inflows from financing activities represented the new secured revolving bank loans and term loans during the year.

Cash and cash equivalents – Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. At the reporting date, the Group's cash and cash equivalents was US$33,591,000 (2018: US$49,268,000).

FINANCIAL REVIEW *(Continued)*

Pledge of assets. As at 31 December 2019, the Group's property, plant and equipment with an aggregate net book value of US$204,808,000 (2018: US$216,940,000), investment properties with an aggregate carrying amount of US$24,164,000 (2018: US$24,333,000), financial assets at fair value through profit or loss of US$55,428,000 (2018: nil) and deposits of US$8,437,000 (2018: US$3,426,000) placed with banks were pledged together with the assignment of twenty (2018: eighteen) subsidiaries' income and assignment of two (2018: nil) subsidiaries' loan receivables of US$40,935,000 (2018: nil) to secure credit facilities utilized by the Group. In addition, shares of ten (2018: ten) ship owning subsidiaries were pledged to banks for secured bank loans.

Capital expenditures and commitments. During the year, capital expenditure on additions of property, plant and equipment was US$8,942,000 (2018: US$5,218,000) and on investment properties was US$5,195,000 (2018: US$8,774,000).

On 20 April 2018, a wholly owned subsidiary of the Company (the "Co-Investor") entered into the co-investment documents to co-invest in a property project in Tower 3 of Shanghai Financial Street Center, Jing'an Central Business District, Shanghai, the PRC, pursuant to which the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss Limited ("Dual Bliss"), the holding company of the co-investment vehicle, of US$10,000,000. During the year, the Co-Investor paid US$2,678,000 (2018: US$4,827,000) in accordance with the terms and conditions of the co-investment documents and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US$2,495,000 (2018: US$5,173,000). Subsequent to the reporting date, the Co-Investor further provided additional US$4,276,915 (2018: nil) as Co-Investment Supplemental Capital Call in early February 2020 pursuant to a supplemental memorandum signed on 31 January 2020 for acquiring 4,276,915 issued non-voting participating class A shares of Dual Bliss. Details of the supplemental memorandum and the Supplemental Capital Call were included in note 37 of the notes to the financial statements.

On 2 November 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of an investment property at a consideration of HK$30,993,000 (approximately US$3,973,000). The investment property is a Grade A office asset located in one of the most sought after central business district of Hong Kong and is expected to generate steady and recurring stream of income for the Group. The completion date of the acquisition of the investment property was 31 January 2019 and the total costs capitalized were US$4,330,000. As at 31 December 2018, the capital expenditure commitments contracted by the Group but not provided for was HK$26,344,000 (approximately US$3,377,000).

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for net of deposits paid, was approximately US$2,495,000 (2018: US$8,550,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 40 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in note 36 to the consolidated financial statements.

EVENTS AFTER THE REPORTING DATE

Save as disclosed in note 37 to the consolidated financial statements, there is no other significant events occurred after the reporting date and up to the date of signing this annual report.

GOING CONCERN

We confirm that the consolidated financial statements have been prepared under the assumption of going concern. This assumption is based on sound financial positions backed by cash generated from operation before changes in working capital, cash and marketable equity and debt securities, existing and available credit facilities and the Group's long term strategic and income forecasts. There exists good basis for the continued operations of the Group.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 had been audited by Grant Thornton Hong Kong Limited. A resolution for the re-appointment of Grant Thornton Hong Kong Limited as the Company's auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

EMPLOYEES

The employees are the Group's most important resource and are crucial to the Group's success in achieving its targets for long term value creation. The Group provides various resources for staff training and development. The Group remunerates its employees, including the Executive Directors, in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident funds. As far as the Group is aware, it complies with all relevant applicable regulations concerning employment, social benefits and labour safety.

EMPLOYEES *(Continued)*

The Group pursues a policy of gender equality. Workload and working hours depend on positions while promotion and recruitment depend on performance and experience. At 31 December 2019, the Group had 67 (2018: 67) full-time employees, of whom 36 (2018: 36) employees were male and 31 (2018: 31) employees were female. At 31 December 2019, the Board consists of six members, of whom five members are male and one member is female. Procedures regarding recruitment, promotion and salary review are carefully reviewed with due consideration to avoid gender discrimination. The Group aims to ensure equal opportunities and rights in workplace.

The Group maintains a good relationship with its employees and crew and has not experienced any disruption of its operation as a result of industrial disputes.

RESEARCH AND DEVELOPMENT

Given the nature of the Group's principal activities being ship chartering and ship owning which are carried out internationally, the Group had no research expenditure or development costs being expensed or capitalized during the year.

WORKING ENVIRONMENT

In order to attract and retain the best people for the sustainable growth of the Company, we place emphasis on a healthy and safe workplace on board in our vessels and ashore at our office and support all kinds of community activities that contribute to our community.

We put safety as our top priority in business operation. Accident preventions and efforts for improvement in working environment are given high priority in the business management, conventions and all parts of operations. We strive to comply with applicable safety and environmental laws and regulations to which seafarers of all ranks must be trained and certificated in order to be able to carry out their respective duties on board in our vessels. We ensure all crew on board are trained and certificated in accordance with STCW Convention.

During the year, absence due to sickness was 1.8% (2018: 1.7%) of the total hours worked by employees and there were no serious injuries or accidents of any kind among the employees of the Group. We also provide fringe benefits and welfare to our people including but not limited to medical and life insurance, pension schemes, paid leave for various purposes, travel or meals for business-related work, and other benefits to improve employees' well-being.

EXTERNAL ENVIRONMENT ISSUES

We are committed to operate our business in an environmentally and socially responsible manner. To achieve this, we strive to comply with all applicable rules and regulations with our best efforts in shipping operation as well as in our daily working environment to minimize any adverse impact to the environment. The possible environment impact may include air pollutants emissions, ballast water discharges and oil pollution in environmental disaster. By maintaining operational safety and providing quality training of our crews in compliance with applicable environmental laws and regulations, we believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations.

It has always been our policy to maintain high standard of environmental protection awareness and to operate our vessels in a safe and environmentally friendly manner. We maintain our modern first-class fleet to enable maximum environmental performance and ensure our compliance to safety and environmental laws and regulations including ISM Code, ISPS Code, and other applicable rules regulated by IMO. These conventions have been ratified by majority of maritime nations and apply to all vessels registered in these countries or calling in the waters of these countries. We obtain safety management certificate, document of compliance and go through annual verification and audit for compliance with ISM Code issued by recognized organization on behalf of the flag states. Starting on 1 January 2019, our vessels adopted IMO Data Collection System on fuel consumption and we switched to compliant low sulfur content bunker fuel in late 2019 in order to meet the IMO 2020 Sulphur Cap requirement which is in effect starting from 1 January 2020.

We ensure our own fleet be equipped with proven green and energy efficiency equipment and technologies to minimize the emission of toxic pollutants, which include:

Nitrogen Oxides (NOx) – our vessels are built with the main engine and auxiliary engines that are fuel-efficient and comply with the latest emission of pollutants limits;

Sulfur Oxides (SOx) – our vessels burn the required low sulfur content bunker fuel;

Ozone depleting substances – majority of our vessels' equipment do not contain ozone depleting substances and comply with all material aspects of MARPOL regulations pertaining to hazardous ozone depleting substances;

Ballast water – our vessels follow the latest requirements on ballast water exchange and operations.

Carbon Dioxide emission reduction – since February 2013 the Group has adopted the Ship Energy Efficiency Management Plan ("SEEMP"), a plan that individual vessel can follow and improve each vessel's energy efficiency through a series of procedures and efforts. Implementing of SEEMP will contribute towards reducing fuel consumption and carbon emission which influence the global environment. We also adopted SEEMP Part II during the year. In 2019, targeted Carbon Dioxide emission had been slightly increased by 18,894 tons from 277,769 tons for the year 2018 to 296,663 tons for the year 2019 mainly due to the increased fuel consumption under more full speed running of vessels according to charterers' instructions. In 2019, Vessels' Energy Efficiency Operating Indicator is about 11.1 grammes CO2 / MT.Mile, a decrease of nine percent as compared to 2018.

EXTERNAL ENVIRONMENT ISSUES *(Continued)*

We realize the importance of environmental stewardship and share the same environmental preservation objective with our crew and our people. In order to foster the environmentally friendly practices in our vessels, we follow an internal safety management manual, which defines our objectives and commitments in complying with all applicable national and international rules and regulations, code and guidelines and standards recommended by IMO, flag states and other maritime industry organizations. These codes and guidelines and standards, together with our safety manual have been kept ashore and on our fleet and strictly followed by our team. We will closely monitor environmental regulations development to ensure compliance with all applicable environmental regulations in our business operation.

We encourage management and employees to take part in environmental preservation with best efforts. We support all kinds of environmentally friendly practices or energy saving ideas throughout our operations and dedicate to conserve water, energy, resources and materials by reduce, recycle and reuse in our office and to strengthen environment preservation consciousness as an integral part of our corporate culture.

DIRECTORS

The Directors who held office of the Company during the year and up to the date of this report were:

Executive Directors:	Mr. Ng Siu Fai
	Mr. Ng Kam Wah Thomas
	Mr. Ng Ki Hung Frankie
	Ms. Ho Suk Lin Cathy
Non-executive Directors:	Mr. Tsui Che Yin Frank
	Mr. William Yau

In accordance with the Company's Bye-Laws, Mr. Ng Ki Hung Frankie will retire from office at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

Brief biographical details of the Directors and executive personnel are set out in "Board of Directors and Executive Personnel" on pages 30 and 31.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of the Company's holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

(i) Directors' interests in shares of the Company

	Number of shares in the Company held and capacity			
Name	**Beneficial owner**	**Interest of spouse**	**Interest in corporation**	**Total**
Ng Siu Fai	4,011,199	982,793	407,858 *Note 1*	5,401,850
Ng Kam Wah Thomas	864,900	–	260,000 *Note 2*	1,124,900

Notes:

1. Mr. Ng Siu Fai is deemed to be interested in 407,858 shares of the Company through his 51% owned company, Fairline Consultants Limited.

2. Mr. Ng Kam Wah Thomas is deemed to be interested in 260,000 shares of the Company through his wholly owned company, Timberfield Limited.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES *(Continued)*

(ii) Directors' interests in shares of Jinhui Holdings

Jinhui Holdings, the controlling shareholder of the Company, held 60,841,240 shares of the Company representing approximately 55.69% of the Company's issued shares as at 31 December 2019.

	Number of shares in Jinhui Holdings held and capacity			
Name	**Beneficial owner**	**Interest of spouse**	**Interest in corporation**	**Total**
Ng Siu Fai	23,145,000	15,140,000	205,325,568 *Note 1*	243,610,568
Ng Kam Wah Thomas	5,909,000	–	136,883,712 *Note 2*	142,792,712
Ng Ki Hung Frankie	3,000,000	–	–	3,000,000
Ho Suk Lin Cathy	3,850,000	–	–	3,850,000
Tsui Che Yin Frank	1,000,000	–	–	1,000,000
William Yau	441,000	–	–	441,000

Notes:

1. Mr. Ng Siu Fai is deemed to be interested in 205,325,568 shares of Jinhui Holdings held by his 51% owned company, Fairline Consultants Limited.

2. Mr. Ng Kam Wah Thomas is deemed to be interested in 136,883,712 shares of Jinhui Holdings held by his wholly owned company, Timberfield Limited.

3. The number of issued shares of Jinhui Holdings as at 31 December 2019 was 530,289,480 shares.

Save as disclosed herein, none of the Directors or their associates had any interest either beneficially or non-beneficially in any shares of the Company, its holding company or any of its subsidiaries and associated corporations at the reporting date.

CORPORATE GOVERNANCE

Jinhui Shipping recognizes the importance of good corporate governance to the Company's value creation. The corporate governance report of 2019 was set out in "Corporate Governance Report" on pages 11 to 29, which covered every section of Norwegian Code of Practice with the description of our conformance throughout the year and provided explanation of the reasons for the deviations. It also included the required report contents as set out in Section 3-3b of the Norwegian Accounting Act.

Restrictions in the Bye-Laws of the Company that may limit the rights to freely trade the shares. Jinhui Shipping's shares are freely traded in the Oslo Stock Exchange. The Company's shares are registered shares with its shareholders register located at Bermuda. Shareholders of the Company may transfer their shares by an instrument of transfer in the usual common form or in such form as decided by the Board. In general, all shares are freely negotiable. However, the Board may deny the transfer of shares according to the Bye-Law 11 of the Company. The Board has the option to decline to register the transfer of any share if the registration of such transfer would be likely to result in 50% or more of the aggregate issued share capital and the votes of the Company being held or owned directly or indirectly by a person or persons resident for tax purposes in Norway. This type of restriction is common for Bermuda and other low-tax jurisdiction companies listed on the Oslo Stock Exchange.

RISK MANAGEMENT

The Group is principally exposed to various risks and uses appropriate measures to manage risks related to its business and operations.

Business and operational risks. The Group is exposed to the business and operational risks to the extent that certain changes may have a negative effect on the Group's cash flows and operations. These changes include the fluctuations in charter rates of the shipping market; the changes in demand and supply in the dry bulk market; the drop in vessel values which results in impairment loss of the Group's assets; the changes in operating expenses including bunker prices, crewing costs, drydocking and insurance costs; and the maintenance expenses which include costs of spare parts. The dry bulk market is highly volatile and market freight rates may fluctuate significantly within a short period of time. We will continue to adopt a flexible chartering policy and manage different business risk exposures by diversification of counterparties, sourcing reliable charterers from a wider range of ship brokers, and maintaining a good balance of geographical positioning of our fleet.

The Group entered into respective agreements in April 2019 in respect of the acquisition of two Supramaxes at a total consideration of US$12,000,000. The first vessel was delivered to the Group in May 2019. However, as one of the clauses with regards to a timely delivery of the second vessel under the second agreement cannot be fulfilled by the second vendor, the acquisition of the second vessel according to the second agreement was terminated in June 2019. The initial deposit of US$625,000 lodged with the escrow agent had been refunded to the Group in accordance with the terms of the second agreement.

RISK MANAGEMENT *(Continued)*

In January 2019, the Group entered into an agreement to dispose of a Supramax of deadweight 50,209 metric tons at a consideration of US$7,381,000, which was delivered to the purchaser in March 2019. In December 2019, the Group entered into an agreement to dispose of a Supramax of deadweight 50,230 metric tons at a consideration of US$5,460,000, which was delivered to the purchaser in December 2019. The disposal of two vessels to two purchasers with the payment terms of the balance of approximately US$4.4 million and US$4 million would be repayable in three years. To secure the purchasers' performance and observance of and compliance with all of the covenants, the purchasers provided first priority ship mortgage of the vessels in favour of the Group.

During the year, the Group also entered into six facility agreements, pursuant to which the Group agreed to provide six loans of US$38 million which are repayable in three years to five years with interest ranged from 8% to 10% per annum. As at 31 December 2019, the aggregate outstanding loan receivables from six borrowers were approximately US$37.7 million. The loans are collateralized and the value of the collateral ships were approximately US$61.4 million which were appraised by independent qualified appraisal firms. Taking into consideration of, amongst other things, (i) the stable and recurring interest income expected to be generated from asset-based financing to the Group and (ii) the value of the collateral ships, we consider the provision of loans represent a reasonable allocation of capital into income generating assets that is asset-light. We believe the additional source of income from asset-based financing would help mitigate cyclicality from core shipping business.

Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position. We will continuously monitor the market as well as our operations going forward and look out for opportunities to maintain a reasonably modern and competitive fleet, not ruling out any future disposal or acquisition of vessels and will make such decisions on an ad hoc basis to maintain a high financial flexibility and operational competitiveness.

Market risk. Market risk is the risk of operational loss or financial loss due to adverse changes in the market exposure. It also includes the adverse change of value of a financial instrument or portfolio of financial instruments when there are changes in market factors such as underlying interest rates, exchange rates, equity securities prices, debt securities prices or in the volatility of these factors. The Group's major market risk exposures on financial instruments mainly arise from bank borrowings committed on floating rate basis, and investments in equity and debt securities. In the ordinary course of business, the Group identifies these risks and mitigates their financial impact through the use of appropriate financial instruments in accordance with the Group's risk management policies. Additional information regarding the Group's use of financial instruments is disclosed in the "Financial Risk Management and Policies" in note 38 to the consolidated financial statements.

RISK MANAGEMENT *(Continued)*

Credit risk. Credit risk is the risk of financial loss to the Group if the counterparty fails to discharge its contractual obligations under the terms of the financial instrument. The Group's exposures to credit risk principally arising from the trade receivables from charterers, loan receivables to third parties and deposits or other financial assets placed with financial institutions. The potential loss is generally limited to the carrying amount of receivables and liquid assets as shown in the Group's consolidated statement of financial position. Credit risk arising from loan receivables are reference to the market values of the vessels which were appraised by independent qualified appraisal firms. By reference to the value of the collateral ships of approximately US$74.2 million without significant change in the quality, the management believes that loan receivables of US$44.9 million as at 31 December 2019 were concluded as low credit risk without any default events, modified credit risk or other factors lead to an significant increase in the credit risk. Credit risk also includes concentration risk of large exposures or concentrations to certain counterparties. The Group will, wherever possible, maintain a diversified customer portfolio or only enter into financial instruments with creditworthy counterparties. The Group regularly monitors the potential exposures to each significant counterparty and performs ongoing credit quality assessment and does not expect to incur material credit losses on managing the financial instruments.

Liquidity risk. Liquidity risk is the risk that the Group fails to meet its obligations associated with its financial liabilities. The Group takes conservative treasury policies to maintain sufficient cash reserves, readily realizable marketable equity and debt securities and obtain credit facilities from well-known financial institutions. The management actively involves in treasury management to ensure adequate cash flows to meet the expected liquidity requirements, working capital and capital expenditures needs. With the dry bulk market being extremely challenging, preserving optimal liquidity is of pinnacle importance. The Group will be working closely with lenders to devise ways to maximize liquidity position in case of the challenging freight environment will continue for longer than expected.

We will continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate and make adjustments to its capital structure in the light of changes in economic conditions, recent market values of the Group's assets as well as the risk characteristics of the underlying assets.

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, financial market conditions including fluctuations in marketable securities value, 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

The freight market in the final quarter of 2019 maintained strength with relatively strong demand for minor bulks such as bauxite, nickel and manganese ore, and other dry bulk commodities demand also benefited from a pickup of exports after disruption earlier on in the year. Simultaneously, global fleet inefficiencies due to a number of ships went into drydocks in preparation for the compliance of IMO 2020 low sulphur fuel regulations, therefore causing a moderately tighter supply have also supported the freight environment. Activity began to slow quickly in December with events such as nickel ore export ban towards Christmas 2019, as well as the Chinese New Year which followed closely.

With regards to our preparation for IMO 2020, we believe the use of low sulphur fuel (LSFO) is the most efficient way to protect our planet. The premium of LSFO over the traditional marine bunker fuel did create some hurdles in the market in the beginning of the year, but soon subsided as oil price retreated. We continue to expect the availability of LSFO will become abundant at reasonable costs with time, given the likelihood of a ramp up in demand from 2020 onwards. All our ships have obtained extension on the ballast water treatment system (BWTS) requirements until 2022 / 23, and we will get them BWTS in a timely manner well beyond this extended deadline.

In terms of freight environment, first two months of 2020 presented a challenge as the tide quickly turned due to the very unexpected and unfortunate outbreak of the coronavirus (COVID-19) during the Chinese New Year holidays. The COVID-19 was regarded as posing moderate public health risk to start off with, but as the velocity at which the virus spread exceeded experts' expectations, it turned into a Public Health Emergency of International Concern (PHEIC) as declared by the World Health Organization ("WHO") as of 30 January 2020. As of today, people across the globe have heightened their concern and business activity further declined across all industries.

OUTLOOK *(Continued)*

Events as such that causes global public health concern is keeping all market participants of all industries worldwide on their toes. This negative backdrop translated to much reduced activity in the dry bulk freight market given the sudden erosion in business confidence as well as turbulence in global financial markets. We will continue to monitor the development of COVID-19 outbreak very closely to assess its impact to our business, and will keep all shareholders informed timely and accordingly.

On a positive note, we have been vigilant on this front as a company in making sure our operations, as well as our colleagues at shore or at sea are in no way negatively affected by the COVID-19. We have adopted policies to ensure all our colleagues are healthy and remain positive in order to take action as soon as the market conditions pick up. We are cautiously optimistic that business activity will resume sooner than later, as governments and public health authorities around the world gain increased control over the spread of the COVID-19 in the coming days.

China is the biggest importer of raw materials by far given its important role in the global manufacturing supply chain. We remain cautiously optimistic that business and industrial activity will resume in China sooner rather than later. At this juncture, we see people are beginning to head back to work in orderly batches, with exceptionally high alert in public hygiene and the necessary protocols in place at work places. We hope this resumption to work in an orderly fashion will continue without much new negative surprises, and hence global trade will begin to revert to normal.

While we have full confidence in mankind's capacity to respond to events and shape their futures for the better, we have to be mindful that increasingly frequent economic, political, or other unforeseen surprises can introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. We currently have no capital expenditure commitment in relation to newbuilding contracts, as well as no charter-in contracts at this juncture, and will continue to focus on taking sensible and decisive actions to maintain a strong financial position.

On behalf of the Board of Directors of the Company, I would like to express our heartfelt appreciation to all customers and stakeholders for their ongoing support.

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.

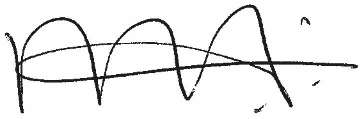
17 March 2020

Ng Siu Fai *Chairman*	**Ng Kam Wah Thomas** *Managing Director and Deputy Chairman*	**Ng Ki Hung Frankie** *Executive Director*
Ho Suk Lin Cathy *Executive Director*	**Tsui Che Yin Frank** *Non-executive Director*	**William Yau** *Non-executive Director*

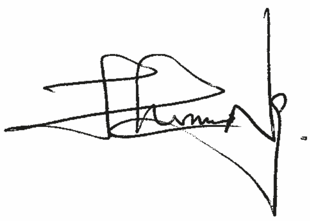
Responsibility Statement

We confirm, to the best of our knowledge, that the audited consolidated financial statements for the year from 1 January to 31 December 2019 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operations of the Group and the Company, and that the Directors' Report includes a true and fair review of the development and performance of the business and the position of the Group and the Company together with a description of the key principal risks and uncertainty factors that the Group and the Company face.

17 March 2020

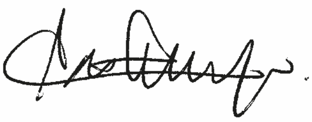


Ng Siu Fai
Chairman



Ng Kam Wah Thomas
Managing Director and Deputy Chairman

Ng Ki Hung Frankie
Executive Director



Ho Suk Lin Cathy
Executive Director

Tsui Che Yin Frank
Non-executive Director

William Yau
Non-executive Director

Independent Auditor's Report

Grant Thornton
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To the members of
Jinhui Shipping and Transportation Limited
(Incorporated in Bermuda with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Jinhui Shipping and Transportation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 59 to 121, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of owned vessels

The Key Audit Matters	How the matter was addressed in our audit
Refer to notes 4.10, 5 and 18 to the consolidated financial statements. The Group's carrying amount of motor vessels and capitalised drydocking costs amounted to US$193,372,000 as at 31 December 2019 and no impairment loss or reversal of impairment was recorded by the Group for the year. The Group assesses at each reporting date (i) whether there are indicators of impairment and if there are such indicators, an estimate is made of the recoverable amount of owned vessels concerned; and (ii) whether there are indications that an impairment loss recognised in prior periods for owned vessels may no longer exist or may have decreased. Management has exercised judgement in assessing whether there is any objective evidence of impairment and reversal of impairment loss of such owned vessels. The carrying amount of owned vessels was determined based on the value in use calculation which is estimated based on the estimated future cash flows projections from the continuous use of such vessels. An independent qualified appraisal firm was employed to appraise the value in use calculation as the calculation involves significant judgements and estimates about the future performance, key assumptions including discount rate, useful life, hire rates and utilisation rate of the owned vessels. Considering the significance of judgements and estimates and the financial impacts of the assessments of impairment indicators and indications of reversal of impairment in respect of the Group's owned vessels, we paid specific attention to this matter in our audit.	Our audit procedures included: – evaluating the process of assessments of impairment indicators and indications of potential reversal of impairment of owned vessels adopted by the management; – evaluating the process of impairment assessments of owned vessels and value in use calculation methodology adopted by the management and approved by the Board; – testing the calculation for the impairment assessment performed by the management; – assessing the reasonableness of the key assumptions including discount rate, hire rates, useful life and utilisation rate by comparing the current year actual performance and prior year projections and by reference to the market and industry information; – involving our internal valuation specialists to assist us when considering the appropriateness of the discount rate and hire rates; and – assessing the adequacy of management's sensitivity of value in use calculation. We obtained supportive evidence for the significant judgements and estimates on the assessments of impairment indicators and indications of reversal of impairment in respect of owned vessels and the value in use calculation and key assumptions applied in the estimated future cash flows projections.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2019 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and HKFRSs issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (*Continued*)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

17 March 2020

Kwong Kam Wing Kelvin
Practising Certificate No.: P05373

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Revenue	7	**63,160**	76,113
Net gain on disposal of owned vessels	8	**90**	5,437
Other operating income	9	**7,855**	6,182
Interest income	10	**3,694**	1,230
Shipping related expenses		**(32,684)**	(37,877)
Staff costs	11	**(12,339)**	(11,237)
Other operating expenses		**(5,596)**	(10,381)
Operating profit before depreciation and amortization		**24,180**	29,467
Depreciation and amortization		**(15,362)**	(17,593)
Operating profit		**8,818**	11,874
Finance costs		**(4,323)**	(3,161)
Profit before taxation		**4,495**	8,713
Taxation	15	**–**	–
Net profit for the year		**4,495**	8,713
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through OCI (non-recycling)		**(684)**	(295)
Change in fair value arisen from reclassification from leasehold land and buildings to investment properties		**476**	–
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through OCI (recycling)		**(25)**	14
Total comprehensive income for the year attributable to shareholders of the Company		**4,262**	8,432
Earnings per share	16		
– Basic and diluted		**US$0.041**	US$0.080

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 US$'000	2018 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**206,021**	218,184
Investment properties	*19*	**30,138**	24,333
Financial assets at fair value through OCI	*20*	**6,910**	4,941
Loan receivables	*22*	**40,044**	–
		283,113	247,458
Current assets			
Inventories		**1,613**	350
Loan receivables	*22*	**4,891**	–
Trade and other receivables	*23*	**10,717**	14,529
Financial assets at fair value through profit or loss	*24*	**64,071**	39,843
Pledged deposits		**8,437**	3,426
Bank balances and cash		**33,591**	49,268
Assets held for sale		**–**	6,763
		123,320	114,179
Total assets		**406,433**	361,637

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 US$'000	2018 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	26	**5,463**	5,463
Reserves		**247,239**	245,490
Total equity		**252,702**	250,953
Non-current liabilities			
Secured bank loans	28	**64,869**	65,677
Current liabilities			
Trade and other payables	29	**19,689**	20,411
Amount due to holding company		**127**	90
Secured bank loans	28	**69,046**	24,506
		88,862	45,007
Total equity and liabilities		**406,433**	361,637

Approved and authorized for issue on 17 March 2020

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director and Deputy Chairman

Ng Ki Hung Frankie
Executive Director

Ho Suk Lin Cathy
Executive Director

Tsui Che Yin Frank
Non-executive Director

William Yau
Non-executive Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Issued capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Contributed surplus US$'000	Revaluation reserve US$'000	Reserve for financial assets at fair value through OCI US$'000	Retained profits US$'000	Total equity US$'000
At 1 January 2018	5,463	95,585	719	16,297	–	38	126,932	245,034
Comprehensive income								
Net profit for the year	–	–	–	–	–	–	8,713	8,713
Other comprehensive loss								
Change in fair value of financial assets at fair value through OCI	–	–	–	–	–	(281)	–	(281)
Total comprehensive income for the year	–	–	–	–	–	(281)	8,713	8,432
2018 Interim dividend paid	–	–	–	–	–	–	(2,513)	(2,513)
At 31 December 2018	5,463	95,585	719	16,297	–	(243)	133,132	250,953
At 1 January 2019	5,463	95,585	719	16,297	–	(243)	133,132	250,953
Comprehensive income								
Net profit for the year	–	–	–	–	–	–	4,495	4,495
Other comprehensive income (loss)								
Change in fair value of financial assets at fair value through OCI	–	–	–	–	–	(709)	–	(709)
Change in fair value arisen from reclassification from leasehold land and buildings to investment properties	–	–	–	–	476	–	–	476
Total comprehensive income for the year	–	–	–	–	476	(709)	4,495	4,262
2018 final dividend paid	–	–	–	–	–	–	(2,513)	(2,513)
At 31 December 2019	5,463	95,585	719	16,297	476	(952)	135,114	252,702

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Note	**2019**	2018
		US$'000	*US$'000*
OPERATING ACTIVITIES			
Cash generated from (used in) operations	*30*	**(39,751)**	5,822
Interest paid		**(4,347)**	(3,028)
Net cash from (used in) operating activities		**(44,098)**	2,794
INVESTING ACTIVITIES			
Interest received		**2,722**	1,436
Decrease in bank deposits with more than three months to maturity when placed		**–**	13,400
Dividend income received		**1,862**	720
Purchase of property, plant and equipment		**(8,942)**	(5,218)
Purchase of investment properties		**(5,195)**	(8,774)
Payment of unlisted equity investments		**(2,678)**	(4,846)
Proceeds from disposal of property, plant and equipment, net		**1,454**	32,074
Proceeds from disposal of assets held for sale, net		**2,990**	–
Net cash from (used in) investing activities		**(7,787)**	28,792
FINANCING ACTIVITIES			
New secured bank loans		**79,752**	41,384
Repayment of secured bank loans		**(36,020)**	(89,026)
Decrease (Increase) in pledged deposits		**(5,011)**	3,095
Dividends paid to shareholders of the Company		**(2,513)**	(2,513)
Net cash from (used in) financing activities		**36,208**	(47,060)
Net decrease in cash and cash equivalents		**(15,677)**	(15,474)
Cash and cash equivalents at 1 January		**49,268**	64,742
Cash and cash equivalents at 31 December		**33,591**	49,268

1. GENERAL INFORMATION

Jinhui Shipping and Transportation Limited was incorporated on 16 May 1994 and registered as an exempted company with limited liability in Bermuda. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares are listed on the Oslo Stock Exchange.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the businesses of ship chartering and ship owning which are carried out internationally.

The Group is controlled by Jinhui Holdings Company Limited, a company incorporated in Hong Kong which holds approximately 55.69% of the Company's shares at the reporting date. The registered office of Jinhui Holdings, where its consolidated accounts can be obtained, locates at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong, PRC.

The consolidated financial statements for the year ended 31 December 2019 were approved for issue by the Board on 17 March 2020.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board, and Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants.

3. ADOPTION OF NEW OR AMENDED IFRSs AND HKFRSs

In current year, the Group has applied for the first time, the following new IFRSs and HKFRSs, amendments and interpretations to IFRSs and HKFRSs issued by the IASB and the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2019.

IFRS 16 and HKFRS 16	Leases
Amendments to IFRSs and HKFRSs	Annual Improvements to IFRSs and HKFRSs 2015-2017 Cycle
IFRIC and HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Other than as noted below, the adoption of the new and amended IFRSs and HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3. ADOPTION OF NEW OR AMENDED IFRSs AND HKFRSs *(Continued)*

IFRS 16 and HKFRS 16 Leases

IFRS 16 and HKFRS 16 replace IAS 17 and HKAS 17 "Leases" along with three Interpretations (IFRIC – Int 4 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease", SIC – Int 15 and HK(SIC) – Int 15 "Operating Leases – Incentives" and SIC – Int 27 and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease") upon the effective date on 1 January 2019 and the new IFRS 16 and HKFRS 16 require a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-to-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. In respect of lessor accounting, IFRS 16 and HKFRS 16 substantially carry forward the lessor accounting requirements in IAS 17 and HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As ship owners and lessors, the Group continues to classify its time charter contracts as operating lease as it contains a lease component, and for hire income under time charter, hire income is recognized on a straight-line basis over the period of each time charter contract. The changes in accounting policies as described above have no impact on the Group's results and financial position in the first year of application as the Group has no underlying leased asset with a term of more than twelve months under lessee accounting model for current year and previous year. The Group has applied modified retrospective approach with the cumulative effect of adopting IFRS 16 and HKFRS 16 being recognized in equity as an adjustment to the opening balance of retained profits for the current year and therefore the comparative information for 2018 has not been restated.

3. ADOPTION OF NEW OR AMENDED IFRSs AND HKFRSs *(Continued)*

At the date of authorization of these consolidated financial statements, certain other new or amended IFRSs and HKFRSs have been published but are not yet effective, and have not been early adopted by the Group. The management anticipated that all pronouncements will be adopted in the Group's accounting policy for the first accounting period beginning after the effective dates of the pronouncements. Information on these new pronouncements that are expected to be relevant to the Group's consolidated financial statements is provided below.

IFRS 17 and HKFRS 17	Insurance Contracts [2]
Amendments to IFRS 10 and HKFRS 10 and IAS 28 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
Amendments to IFRS 3 and HKFRS 3	Definition of a Business [4]
Amendments to IFRS 9 and HKFRS 9, IAS 39 and HKAS 39 and IFRS 7 and HKFRS 7	Interest Rate Benchmark Reform [1]
Amendments to IAS 1 and HKAS 1 and IAS 8 and HKAS 8	Definition of Material [1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current [5]

Notes:

1. Effective for annual periods beginning on or after 1 January 2020
2. Effective for annual periods beginning on or after 1 January 2021
3. Effective date not yet determined
4. Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5. Effective for annual periods beginning on or after 1 January 2022

The management is currently assessing the possible impact of the new or amended standards and interpretations on the Group's results and financial position in the first year of application. Certain other new standards and interpretations have also been issued but are not yet effective and are not expected to have material impact on the Group's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis except for: investment properties; financial assets at fair value through profit or loss and financial assets at fair value through OCI that are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date.

4.4 Foreign currency translation

The consolidated financial statements are presented in United States Dollars which is the functional and presentation currency of the Company. The functional and presentation currencies of the Company's subsidiaries are either in United States Dollars or Hong Kong Dollars.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates ruling at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognized in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into United States Dollars. Assets and liabilities have been translated into United States Dollars at the closing rates at the reporting date. Income and expenses have been converted into United States Dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any significant differences arising from this translation procedure are recognized in other comprehensive income and accumulated separately in the translation reserve in equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Revenue recognition

Revenue mainly arises from the operations of ship chartering or owning business comprises chartering freight and hire income.

To determine whether to recognize revenue, the Group follows a five-step process:

(a) Identify contracts with customers
(b) Identify the separate performance obligations in the contract
(c) Determine the transaction price of the contract
(d) Allocate the transaction price to each of the separate performance obligation in the contract
(e) Recognize the revenue as each performance obligation is satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized over time, when (or as) the Group satisfies performance obligations by transferring the promised services to its customers. Further details of the Group's revenue recognition policies are as follows:

(a) Hire income under time charter is accounted for as operating lease and is recognized on a straight-line basis over the period of each time charter contract.

(b) Freight income under voyage charter is accrued over the period from the date of loading of charterer's cargo to the date of discharging the cargo and is recognized on percentage of completion basis measured by time proportion of each voyage charter contract. The existing practice reflects the performance obligation to provide transportation services which is satisfied over time from when transport of the goods begins from loading port through delivery to discharging port and freight income is recognized over the period of performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Borrowing costs

Borrowing costs incurred for the acquisition or construction of any qualifying asset are capitalized during the period of time that is required to complete or prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed as incurred.

The capitalization of borrowing costs as part of the qualifying assets commence when borrowing costs are being incurred and the activities that are necessary to prepare the asset for its intended use are in progress. Capitalization of borrowing costs is suspended or ceased when substantially all activities necessary to prepare the qualifying assets for its intended use are interrupted or completed.

4.7 Income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and / or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. It is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset is realized, provided these tax rates have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and tax losses available to be carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

For investment properties measured using the fair value model in accordance with the accounting policy below, the measurement of the related deferred tax asset or liability reflects the tax consequences of recovering the carrying amount of the investment properties entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets or liabilities are not recognized if the temporary differences arise from goodwill or from initial recognition (other than in a business combination) of assets or liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Changes in deferred tax assets or liabilities are recognized in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Income tax *(Continued)*

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognized amounts; and
(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or
(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.8 Property, plant and equipment

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Improvements are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures incurred in restoring assets to their normal working conditions and other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Motor vessels are stated at cost less accumulated depreciation and impairment loss.

Drydocking and special survey costs are capitalized and depreciated over the drydocking cycle of two to three years on a straight-line basis. Upon disposal of vessels, any relevant carrying amounts not yet written off are transferred to profit or loss. Vessel repairs and survey costs are expensed during the financial period in which they are incurred.

Land held under operating leases and buildings thereon (where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease) are stated at cost less accumulated depreciation and impairment loss.

All other property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

Depreciation is provided to write-off the cost of motor vessels over their estimated useful lives, after taking into account their estimated residual values, using the straight-line method of 25 years from the date of the initial delivery from the shipyards.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Property, plant and equipment *(Continued)*

Estimated residual value is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, as if the asset was already of the age and in the conditions expected at the end of its useful life. The Group estimates the residual values of motor vessels based on the light-weight tonnes of each vessel multiply by market demolition metal price per ton.

Depreciation is provided to write-off the cost of other property, plant and equipment as specified below over their estimated useful lives, after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	over the shorter of unexpired term of lease or 3% per annum
Leasehold improvement	20% – 30% per annum
Utility vessels, furniture and equipment	6% – 25% per annum

The gain or loss arising on retirement or disposal is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.9 Investment properties

Investment properties are land and / or buildings which are owned or held under a leasehold interest to earn rental income and / or for capital appreciation.

When the Group holds a property interest under an operating lease to earn rental income and / or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value which is determined by external professional valuers with sufficient experience with respect to both the location and category of the investment property and it reflects the prevailing market conditions at the reporting date.

Gain or loss arising from either change in the fair value or the sale of an investment property is recognized in profit or loss in the period in which they arise.

The change in fair value arisen from reclassification from leasehold land and buildings to investment properties will be credited to revaluation reserve. Upon disposal of such properties, the amount previously recognized in revaluation reserve will be transferred to retained profits.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries are subject to impairment testing whenever there are indications that the assets' carrying amounts may not be recoverable.

An impairment loss is recognized as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions, less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows that are largely independent of the cash flows from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash generating unit). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

Impairment loss recognized for cash generating unit is allocated to reduce the carrying amounts of the assets in the cash generating unit on pro rata basis. In allocating the impairment loss, the carrying amount of an asset will not be reduced below its fair value less costs of disposal, value in use or zero.

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in prior years.

4.11 Inventories

Inventories are carried at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, and is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial assets

Financial assets are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets expire, or when the financial asset and substantially all of its risks and rewards of ownership are transferred.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 and HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss, plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are classified into the following categories:

– amortized cost;
– fair value through profit or loss; or
– fair value through OCI.

The classification is determined by both:

– the entity's business model for managing the financial asset; and
– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within other operating income, interest income, other operating expenses and finance costs, except for ECL of trade receivables which is presented in other operating expenses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial assets *(Continued)*

Subsequent measurement of financial assets

Debt investments

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as fair value through profit or loss):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Interest income from these financial assets is included in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's bank balances and cash, pledged deposits, loan receivables and trade and other receivables fall into this category of financial instruments.

Financial assets at fair value through OCI – recycling

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than"hold to collect" or"hold to collect and sell' are categorized at fair value through profit or loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at fair value through profit or loss.

Equity investments

An investment in equity securities is classified as fair value through profit or loss unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at fair value through OCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income and accumulated in"Reserve for financial assets at fair value through OCI" in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial assets *(Continued)*

Subsequent measurement of financial assets (Continued)

Equity investments (Continued)

The equity instruments at fair value through OCI are not subject to impairment assessment. The cumulative gain or loss in "Reserve for financial assets at fair value through OCI" will not be reclassified to profit or loss upon disposal of the equity investments.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Dividend income are included in "other operating income" in profit or loss.

Impairment of financial assets

IFRS 9 and HKFRS 9's impairment requirements use more forward-looking information to recognize ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortized cost, fair value through OCI and trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

For trade receivables, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

For loan receivables secured by collaterals provided by borrowers, the Group measures the loss allowance for these financial assets equal to 12-month ECL with taking those collaterals into accounts (which is recognized at the stage of the financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk), unless when there has been a significant increase in credit risk since initial recognition or classified as credit-impaired, the Group recognizes lifetime ECL (which is recognized at the stage of the financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low). The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition or classified as credit-impaired. The loan receivables are reviewed at the reporting date to assess impairment allowance which are based on the evaluation of current creditworthiness, collection statistic and the market values of similar vessels which were appraised by independent qualified appraisal firms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial assets *(Continued)*

Impairment of financial assets (Continued)

For other financial assets measured at amortized cost and fair value through OCI, the Group measures the loss allowance for these financial assets equal to 12-month ECL (which is recognized at the stage of the financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk), unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL (which is recognized at the stage of the financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low). The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial assets *(Continued)*

Impairment of financial assets (Continued)

The Group considers the default has occurred when: (1) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its credit obligations to the Group in full without recourse by the Group to actions such as realizing security (if any is held); (2) a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group writes off trade and other receivables in whole or in part, when it has exhausted all practical recovery efforts and concluded there is no reasonable expectation of recovery.

4.13 Assets held for sale

Non-current assets are classified as held for sale when:

(a) they are available for immediate sale;
(b) management is committed to a plan to sell;
(c) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
(d) an active programme to locate a buyer has been initiated;
(e) the asset is being marketed at a reasonable price in relation to its fair value; and
(f) a sale is expected to complete within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale and fair value less costs of disposal. Following their classification as held for sale, the assets are not depreciated. An impairment loss is recognized as an expense immediately for the amount by which the asset's carrying amount prior to being classified as held for sale exceeds its fair value less costs of disposal. The gain or loss of assets being disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income up to the date of disposal.

4.14 Financial liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

The Group classifies its financial liabilities into the following categories:

Trade and other payables

Trade and other payables are recognized initially at fair values and subsequently measured at amortized costs, using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Financial liabilities *(Continued)*

Borrowings

Borrowings are recognized initially at fair values, net of transaction costs incurred. Borrowings are subsequently stated at amortized costs. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the reporting date.

4.15 Fair value measurement

For financial reporting purposes, fair value measurement is categorized into Level 1, 2 and 3 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured using valuation techniques in which all significant inputs other than quoted prices included within Level 1 are directly or indirectly based on observable market data.

Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data.

4.16 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less. For the purpose of consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.17 Share capital

Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Employee benefits

Retirement benefits schemes

The Group operates a defined contribution provident fund scheme and a mandatory provident fund scheme. The assets of the schemes are held separately from those of the Group in their respective schemes managed by an independent trustee. The contributions to retirement benefits schemes charged to profit or loss represent contributions payable to the funds by the Group at the rates specific in the rules of the schemes.

The contributions to the defined contribution provident fund scheme vest in employees according to the vesting percentage set out in the scheme. When employees leave the defined contribution provident fund scheme prior to being vested fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. On the other hand, the contributions to the mandatory provident fund scheme vest immediately and fully in employees once the contributions are payable by the Group. There is no forfeited contribution when employees leave the mandatory provident fund scheme.

Short term employee benefits

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognized until the time of leave.

4.19 Leases

Policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

– the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

– the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

– the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 Leases *(Continued)*

Assets leased out under operating leases (as lessor)

Where the Group leases out assets under operating leases, such assets are measured and presented according to the nature of the asset.

Rental income receivable from operating leases is recognized in profit or loss on a straight-line basis over the lease terms.

Hire income applicable to operating leases in respect of time charters are recognized as revenue on time basis over the period of each lease.

Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net income receivable from the lease.

Policy applicable before 1 January 2019

An arrangement, comprising a transaction or series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership of the assets to the Group are classified as operating leases, with the following exceptions:

– property held under operating lease that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee

Where the Group uses assets under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are not recognized but are disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow of economic benefits occurs, and an outflow is probable, it will then be recognized as a provision.

4.21 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint venture of the same third entity.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The significant estimates and judgements made in the process of applying the Group's accounting policies are discussed below.

Impairment of owned vessels

In determining whether owned vessels are impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in assessing whether there is any objective evidence of impairment or reversal of impairment. Given that dry bulk commodities trades started slowing down and the macroeconomic concerns over rising geopolitical tensions, notably the trade dispute between the US and China, negatively affected the market and dragged the growth and recovery lower than projected, the management considered that impairment indication of the Group's fleet existed at end of 2019 and no reversal of impairment indications was identified. The Group has to make estimation and assumptions in the area of impairment test on owned vessels. The recoverable amounts of owned vessels have been determined based on the value in use calculation based on the estimated future cash flows projections from the continuous use of such vessels. Key assumptions applied in value in use calculation mainly included discount rate and hire rates earned by the vessels as the value in use is most sensitive to the changes in these two factors. Based on the management's assumptions employed in the impairment assessment, the Group concluded that the recoverable amount was higher than the carrying value of the owned vessels as at 31 December 2019 and the Group did not recognize any impairment loss on owned vessels during the year ended 31 December 2019. As at 31 December 2019, the carrying amount of the owned vessels was US$193,372,000 (2018: US$204,290,000).

Impairment of trade receivables and other financial assets

As at 31 December 2019, the carrying amount of the trade receivables was US$1,659,000 (2018: US$1,410,000). For trade receivables, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

For other financial assets measured at amortized cost or fair value through OCI (note 38(a)), the Group measures the loss allowance for these financial assets equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition. In assessing whether the credit risk for other financial assets has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For loan receivables (note 22) secured by collaterals provided by borrowers, the Group measures the loss allowance for these financial assets equal to 12-month ECL with taking those collaterals into accounts unless when there has been a significant increase in credit risk since initial recognition or classified as credit-impaired, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition or classified as credit-impaired. The loan receivables are reviewed by the management at the reporting date to assess impairment allowance which are based on the evaluation of current creditworthiness, collection statistic and the market values of the similar vessels which were appraised by independent qualified appraisal firms.

6. SEGMENT INFORMATION

The Group is principally engaged in the business of ship chartering and ship owning and the management has regarded this business as the only dominant reportable operating segment to be reported to the chief operating decision maker.

The Group's non-current assets mainly consist of property, plant and equipment and investment properties. Property, plant and equipment mainly comprised of the Group's motor vessels. As the Group's motor vessels are operated across different geographical regions, it is meaningless to identify the specific geographical locations of the motor vessels at the reporting date. The Group's investment properties comprised of premises and car parks and all are located in Hong Kong. While majority of the Group's non-current assets cannot be attributable to any particular geographical location, no analysis of non-current assets by geographical area is presented in the consolidated financial statements.

7. REVENUE

Revenue represents chartering hire income arising from the Group's owned vessels. Revenue recognized during the year is as follows:

	2019	2018
	US$'000	*US$'000*
Chartering hire income:		
Hire income under time charters [1]	**63,160**	76,113

Note:

1. Hire income under time charter is accounted for as operating lease and is recognized on a straight-line basis over the period of each time charter contract.

Information about major charterers

Revenue of US$21,484,000, US$15,993,000 and US$15,267,000 were derived from three charterers that contributed 34%, 25% and 24% respectively to the Group's revenue for the year 2019. Revenue of US$31,182,000 and US$21,270,000 were derived from two charterers that contributed 41% and 28% respectively to the Group's revenue for the year 2018.

7. REVENUE *(Continued)*

Information about geographical distribution

Revenue from external customers (charterers) is as follows:

	2019	2018
	US$'000	*US$'000*
Geographical split of revenue by charterers' location:		
China	**46,053**	69,687
Singapore	**16,991**	5,711
Japan	**116**	408
Germany	**–**	285
Other countries	**–**	22
	63,160	76,113

8. NET GAIN ON DISPOSAL OF OWNED VESSELS

The Group entered into an agreement on 13 December 2019 to dispose of a Supramax of deadweight 50,230 metric tons with net book value of US$5,364,000 at a consideration of US$5,460,000. The vessel was delivered to the purchaser in late December 2019. The net gain of US$90,000 was recognized by the Group upon the completion of the disposal of the vessel in late December 2019.

During the year 2018, the Group took the opportunity to enter into four memorandums of agreement to dispose of four Supramaxes at a total consideration of US$32,560,000 with the net gain of US$5,437,000 on completion of the disposal of these four vessels in the second half of 2018.

9. OTHER OPERATING INCOME

	2019	2018
	US$'000	US$'000
Net gain on financial assets at fair value through profit or loss	1,498	–
Other shipping operating income	2,327	2,564
Gross rental income from operating leases on investment properties	435	282
Dividend income	1,929	747
Settlement income in relation to repudiation claims	614	450
Net gain on disposal of assets held for sale (note 18(2))	608	–
Net gain on bunker arising from shipping operations	–	1,813
Reversal of impairment loss on trade and other receivables, net	2	36
Sundry income	442	290
	7,855	6,182

10. INTEREST INCOME

	2019	2018
	US$'000	US$'000
Interest income in respect of:		
Financial assets at fair value through profit or loss	2,179	269
Deposits with banks and other financial institutions	613	754
Interest-bearing note and loan receivables	902	207
	3,694	1,230

11. STAFF COSTS

	2019	2018
	US$'000	US$'000
Directors' emoluments (excluding directors' fees):		
Salaries and other benefits	7,521	6,306
Contributions to retirement benefits schemes	434	350
Other staff costs:		
Salaries and other benefits	4,201	4,424
Contributions to retirement benefits schemes	183	157
	12,339	11,237

At the reporting date, the Group has 67 (2018: 67) full-time employees.

12. DIRECTORS' EMOLUMENTS

	Directors' fees [1] US$'000	Salaries and allowances [2] US$'000	Discretionary bonus [2] US$'000	Contributions to retirement benefits schemes [2] US$'000	Total US$'000
2019					
Executive Directors					
Ng Siu Fai	**248**	**3,846**	**160**	**231**	**4,485**
Ng Kam Wah Thomas	**248**	**3,077**	**128**	**185**	**3,638**
Ng Ki Hung Frankie	**170**	**123**	**–**	**7**	**300**
Ho Suk Lin Cathy	**60**	**187**	**–**	**11**	**258**
Non-executive Directors					
Tsui Che Yin Frank	**28**	**–**	**–**	**–**	**28**
William Yau	**23**	**–**	**–**	**–**	**23**
	777	**7,233**	**288**	**434**	**8,732**
2018					
Executive Directors					
Ng Siu Fai	248	2,769	231	166	3,414
Ng Kam Wah Thomas	248	2,769	231	166	3,414
Ng Ki Hung Frankie	170	123	–	7	300
Ho Suk Lin Cathy	60	183	–	11	254
Non-executive Directors					
Tsui Che Yin Frank	28	–	–	–	28
William Yau	23	–	–	–	23
	777	5,844	462	350	7,433

Notes:

1. The directors' fees were provided by the Company. None of the Directors received directors' fees from its subsidiaries.

2. Directors' other emoluments, which included salaries and allowances, discretionary bonus and contributions to retirement benefits schemes, were provided by a subsidiary.

13. OTHER OPERATING EXPENSES

Other operating expenses for the year 2019 mainly included professional fee of US$1,091,000, directors' fee of US$777,000, revaluation deficit of US$245,000 arisen from investment properties, auditor's remuneration related to audit services of US$157,000, bad debts written off in respect of trade receivables of US$214,000 and remaining are various office administrative expenses.

Other operating expenses for the year 2018 mainly included net loss of US$3,920,000 on financial assets at fair value through profit or loss, professional fee of US$2,076,000, directors' fee of US$777,000, auditor's remuneration related to audit services of US$157,000, bad debts written off in respect of trade receivables of US$37,000 and remaining are various office administrative expenses.

14. OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION

This is stated after charging / (crediting):

	2019	2018
	US$'000	*US$'000*
Auditor's remuneration [1]:		
Audit services	**157**	157
Other services	**12**	15
Rent and rates payments in respect of premises	**91**	81
Net loss (gain) on financial assets at fair value through profit or loss		
Realized gain on financial assets at fair value through profit or loss	**(568)**	(383)
Unrealized loss (gain) on financial assets at fair value through profit or loss	**(930)**	4,303
Interest income in respect of:		
Financial assets at fair value through profit or loss	**(2,179)**	(269)
Deposits with banks and other financial institutions	**(613)**	(754)
Interest-bearing note and loan receivables	**(902)**	(207)
Dividend income	**(1,929)**	(747)
Net gain on disposal of assets held for sale	**(608)**	–
Change in fair value of investment properties	**245**	73
Reversal of impairment loss on trade and other receivables, net	**(2)**	(36)
Net exchange gain	**–**	(29)
Gross rental income from operating leases on investment properties	**(435)**	(282)
Outgoings in respect of investment properties	**48**	15
Bad debts written off in respect of trade receivables	**214**	37

Note:

1. The auditor's remuneration disclosed above excluded VAT and fees paid for other services mainly included fees for tax compliance services of US$2,000 (2018: US$5,000) and review of internal control systems of US$3,000 (2018: US$3,000).

15. TAXATION

Taxation has not been provided as the Group has no assessable profit for the year (2018: nil).

There was no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company for the year.

The Company has received from the Minister of Finance of Bermuda under The Exempted Undertakings Tax Protection Act 1966, as amended, an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital asset gain or appreciation or any tax in the nature of estate duty or inheritance tax, the imposition of such tax shall not until 31 March 2035 be applicable to the Company or to any of its operations, or to the shares, debentures or other obligations of the Company.

Reconciliation between taxation charge and accounting profit at the applicable tax rates:

	2019	2018
	US$'000	*US$'000*
Profit before taxation	**4,495**	8,713
Income tax at the applicable tax rates in the tax jurisdictions concerned	**(1,329)**	(2,443)
Non-deductible expenses	**318**	686
Tax exempted revenue	**(1,035)**	(487)
Unrecognized tax losses	**2,147**	2,253
Unrecognized temporary differences	**(33)**	(9)
Utilization of previously unrecognized tax losses	**(68)**	–
Taxation charge for the year	**–**	–

The applicable tax rates are the weighted average of current rates of taxation ruling in the relevant jurisdictions.

16. EARNINGS PER SHARE

	2019	2018
Weighted average number of ordinary shares in issue	**109,258,943**	109,258,943
Net profit attributable to shareholders of the Company (US$'000)	**4,495**	8,713
Basic and diluted earnings per share	**US$0.041**	US$0.080

Diluted earnings per share for the years 2019 and 2018 were the same as basic earnings per share as there was no potentially dilutive ordinary shares in existence for the years 2019 and 2018.

17. DIVIDENDS

	2019	2018
	US$'000	*US$'000*
2018 interim dividend, declared of US$0.023 per share	–	2,513
2018 final dividend, declared of US$0.023 per share	–	2,513
	–	5,026

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2019.

18. PROPERTY, PLANT AND EQUIPMENT

	Motor vessels [1] and capitalized drydocking costs *US$'000*	Leasehold land and buildings *US$'000*	Others *US$'000*	Total *US$'000*
Cost				
At 1 January 2018	872,186	27,279	6,944	906,409
Reclassification to assets held for sale [2]	(35,081)	–	–	(35,081)
Additions	5,210	–	8	5,218
Disposals / write-off [3]	(131,305)	–	(123)	(131,428)
At 31 December 2018	711,010	27,279	6,829	745,118
Reclassification to investment properties [4]	–	(511)	–	(511)
Additions	8,730	–	212	8,942
Disposals / write-off [3]	(9,114)	–	(14)	(9,128)
At 31 December 2019	**710,626**	**26,768**	**7,027**	**744,421**
Accumulated depreciation and impairment loss				
At 1 January 2018	623,211	13,792	5,447	642,450
Reclassification to assets held for sale [2]	(28,318)	–	–	(28,318)
Charge for the year	16,495	837	261	17,593
Eliminated on disposals / write-off [3]	(104,668)	–	(123)	(104,791)
At 31 December 2018	506,720	14,629	5,585	526,934
Reclassification to investment properties [4]	–	(132)	–	(132)
Charge for the year	14,284	835	243	15,362
Eliminated on disposals / write-off [3]	(3,750)	–	(14)	(3,764)
At 31 December 2019	**517,254**	**15,332**	**5,814**	**538,400**
Net book value				
At 31 December 2019	**193,372**	**11,436**	**1,213**	**206,021**
At 31 December 2018	204,290	12,650	1,244	218,184

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

1. All motor vessels are held for use under operating leases.

2. Reclassification to and disposal of assets held for sale:
   The Group entered into an agreement on 2 January 2019 to dispose of a Supramax of deadweight 50,209 metric tons at a consideration of US$7,381,000. The vessel was delivered to the purchaser in March 2019. For financial reporting purposes, the vessel with net book value of US$6,763,000 was reclassified to "Assets held for sale" in accordance with IFRS 5 and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at 31 December 2018. The net gain of US$608,000 was recognized by the Group upon the completion of the disposal of the assets held for sale in March 2019 and was included in other operating income.

3. Disposal of motor vessels:
   The Group entered into an agreement on 13 December 2019 to dispose of a Supramax of deadweight 50,230 metric tons with net book value of US$5,364,000 at a consideration of US$5,460,000. The vessel was delivered to the purchaser in late December 2019. The net gain of US$90,000 was recognized by the Group upon the completion of the disposal of the vessel in late December 2019.

   During the year 2018, the Group took the opportunity to enter into four memorandums of agreement to dispose of four Supramaxes with the total net book value of US$26,637,000 at a total consideration of US$32,560,000. The net gain of US$5,437,000 was recognized by the Group upon the completion of the disposal of these four vessels in the second half of 2018.

4. Reclassification to investment properties:
   During the year, an owner-occupied leasehold land and building was reclassified to an investment property and a revaluation surplus of US$476,000 was credited to revaluation reserve.

19. INVESTMENT PROPERTIES

	2019	2018
	US$'000	*US$'000*
At 1 January	**24,333**	15,632
Additions	**5,195**	8,774
Reclassification from leasehold land and buildings	**855**	–
Change in fair value	**(245)**	(73)
At 31 December	**30,138**	24,333

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.

The Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of an investment property at a consideration of HK$30,993,000 (approximately US$3,973,000) in November 2018. The investment property is a Grade A office asset located in one of the most sought after central business district of Hong Kong and is expected to generate steady and recurring stream of income for the Group. The completion date of the acquisition of the investment property was 31 January 2019 and the total costs capitalized were HK$33,773,000 (approximately US$4,330,000).

During the year, the Group further entered into two provisional agreements for sale and purchase with the vendor in respect of the acquisition of the investment properties at total consideration of HK$6,450,000 (approximately US$827,000) and the total costs of investment properties capitalized upon the completion of acquisition were HK$6,746,000 (approximately US$865,000).

19. INVESTMENT PROPERTIES *(Continued)*

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.

Details of the Group's investment properties and information about the determination of the fair values of these investment properties, in particular the valuation techniques, significant unobservable inputs and category of the fair value hierarchy are disclosed as below:

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs 2019	2018	Relationship of significant unobservable inputs to fair value
Premises	Level 3	Direct comparison method	Market unit sale rate per square feet, after taking into account the age, location and individual factors such as size, view, floor level and quality of building	**US$1,700 – US$4,200 per square feet**	US$1,600 – US$3,200 per square feet	An increase in percentage of market unit sale rate per square feet would result in an increase in fair value measurement of the premises by the same percentage increase, and vice versa
Car parks	Level 3	Direct comparison method	Market unit sale rate per car park	**US$397,000 – US$616,000 per car park**	US$410,000 – US$603,000 per car park	An increase in percentage of market unit sale rate per car park would result in an increase in fair value measurement of the car park by the same percentage increase, and vice versa

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

	2019	2018
	US$'000	*US$'000*
Unlisted equity investments		
Co-investment in a property project		
At 1 January	**4,551**	–
Additions	**2,678**	4,846
Change in fair value [1]	**(684)**	(295)
	6,545	4,551
Unlisted club membership		
At 1 January	**390**	376
Change in fair value [2]	**(25)**	14
	365	390
	6,910	4,941

Notes:

1. Items that will not be reclassified to profit or loss.

2. Items that may be reclassified subsequently to profit or loss.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI *(Continued)*

Pursuant to the co-investment documents, a wholly owned subsidiary of the Company (the "Co-Investor") committed to acquire non-voting participating class A shares of Dual Bliss Limited ("Dual Bliss"), the holding company of the co-investment vehicle, of US$10,000,000. During the year 2019, the Co-Investor paid US$2,678,000 (2018: US$4,827,000) in accordance with the terms and conditions of the co-investment documents and interest of US$19,000 was capitalized in 2018.

There is no quoted market price in active market for unlisted equity investments. Transactions in such investments do not occur on a regular basis. The Group uses its net asset value to determine its fair value as the Group determined that this is the fair price at which shareholders subscribe and redeem the investments or determined its fair value with generally accepted pricing models. The fair value measurement of unlisted equity investments 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.

Unlisted club membership stated at fair value represented investment in club membership which their fair values can be determined directly by reference to published price quotation in active market and were 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.

21. INVENTORIES

Inventories consisted of bunker stock and ship stores on the Group's vessels. At the reporting date, these inventories were carried at cost.

22. LOAN RECEIVABLES

	2019	2018
	US$'000	*US$'000*
Gross new loan originated	**46,381**	–
Repayment	**(1,446)**	–
Provision of individual impairment	**–**	–
Loan receivables, net of provision	**44,935**	–
Less: Amount receivable within one year	**(4,891)**	–
Amount receivable after one year	**40,044**	–

22. LOAN RECEIVABLES *(Continued)*

The maturity of loan receivables (net of impairment loss) is as follows:

	2019	2018
	US$'000	*US$'000*
Within one year	**4,891**	–
In the second year	**5,202**	–
In the third to fifth year	**34,842**	–
	44,935	–

During the year, the Group entered into two agreements to dispose of two vessels to two purchasers with the payment terms of the balance of approximately US$4.4 million and US$4 million which would be repayable in three years. To secure the purchasers' performance and observance of and compliance with all of the covenants, the purchasers provided first priority ship mortgage of the vessels in favour of the Group.

During the year, the Group also entered into six facility agreements, pursuant to which the Group agreed to provide six loans of US$38 million which are repayable in three years to five years with interest ranged from 8% to 10% per annum. As at 31 December 2019, the aggregate outstanding loan receivables from six borrowers were approximately US$37.7 million. The loans are collateralized and the value of the collateral ships were approximately US$61.4 million which were appraised by independent qualified appraisal firms. Taking into consideration of, amongst other things, (i) the stable and recurring interest income expected to be generated from asset-based financing to the Group and (ii) the value of the collateral ships, we consider the provision of loans represent a reasonable allocation of capital into income generating assets that is asset-light. We believe the additional source of income from asset-based financing would help mitigate cyclicality from core shipping business.

The Group's loan receivables, which arise from asset-based financing are denominated in United States Dollars and are secured by collaterals provided by the borrowers, bear interest ranged from 8% to 10% per annum and are repayable with fixed terms agreed with the borrowers. At the reporting date, these receivables have been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness and the collection statistics, and are not considered as impaired. The carrying amount of these loan receivables are considered to be a reasonable approximation of their fair values. The Group generally grants loans with a loan-to-value ratio of no more than 70% of the value in the valuation report of the vessels held as collateral. The directors consider that the credit risk arising from loan receivables is significantly mitigated by the vessels held as collateral, with reference to the market values of the vessels which were appraised by independent qualified appraisal firms.

23. TRADE AND OTHER RECEIVABLES

	2019	2018
	US$'000	*US$'000*
Trade receivables	**1,659**	1,410
Prepayments, deposits and other receivables	**9,058**	13,119
	10,717	14,529

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding trade receivables are reviewed and followed up on an ongoing basis. Credit evaluations including assessing the customer's creditworthiness and financial standing are performed on customers requiring a credit over certain amount.

The credit terms given to charterers vary from 15 to 60 days according to the types of vessels' employment.

Other receivables as at 31 December 2018 include a receivable from an interest-bearing note issued by a third party amounting to US$3,462,000. This receivable has been reviewed by management as at 31 December 2018 to assess impairment allowances which are based on the evaluation of current creditworthiness and the past collection statistics, and was not considered as impaired. The carrying amount of this receivable as at 31 December 2018 was considered to be a reasonable approximation of its fair value. This receivable has been received during the year.

The carrying amounts of trade and other receivables are considered to be a reasonable approximation of their fair values due to their short term maturities.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

The aging analysis of trade receivables (net of impairment loss) that are past due at the reporting date but not individually considered to be impaired is included in the following analysis:

	2019	2018
	US$'000	*US$'000*
Neither past due nor impaired	**240**	109
Past due but not impaired		
Within 3 months past due	**1,057**	211
Over 3 months but within 6 months past due	**–**	146
Over 6 months but within 12 months past due	**–**	109
Over 12 months past due	**362**	835
	1,419	1,301
	1,659	1,410

The movement for impairment loss on trade and other receivables is as follows:

	2019	2018
	US$'000	*US$'000*
At 1 January	**13,805**	15,105
Impairment loss recognized	**–**	102
Reversal of impairment loss	**(2)**	(138)
Written off as uncollectible	**(3,071)**	(1,264)
At 31 December	**10,732**	13,805

For trade receivables, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at each reporting date. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables, the Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition.

At the reporting date, the Group had determined trade and other receivables of US$10,732,000 (2018: US$13,805,000) as impaired. The impairment loss on trade receivables was US$10,732,000 (2018: US$11,334,000). No impairment loss (2018: impairment loss of US$2,471,000) on other receivables was provided as at reporting date.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	US$'000	*US$'000*
Held for trading		
Listed equity securities	**41,536**	34,928
Listed debt securities	**22,535**	4,355
	64,071	39,283
Designated as such upon initial recognition:		
Equity linked notes	**–**	560
	64,071	39,843

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 and the fair value measurements of equity linked notes represented the quoted market prices on the underlying investments provided by financial institution and were categorized as Level 2 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.

25. AMOUNT DUE TO HOLDING COMPANY

Amount due to holding company is unsecured, interest-free and repayable on demand. The carrying amount of the amount due is considered to be a reasonable approximation of its fair value.

26. SHARE CAPITAL

	2019		2018	
	Number of ordinary shares of US$0.05 each	**Amount**	Number of ordinary shares of US$0.05 each	Amount
		US$'000		*US$'000*
Authorized:				
At 1 January and 31 December	**800,000,000**	**40,000**	800,000,000	40,000
Issued and fully paid:				
At 1 January and 31 December	**109,258,943**	**5,463**	109,258,943	5,463

26. SHARE CAPITAL *(Continued)*

At the reporting date, the Company had 2,239 (2018: 2,321) shareholders. Pursuant to the record registered on the Norwegian Registry of Securities, the major shareholders holding more than 1% of the outstanding shares at the reporting date were as follows:

Shareholder's name	**Percentage of total issued capital**
Jinhui Holdings Company Limited*	40.81%
BNP Paribas Securities Services BPSS*	23.06%
Nordnet Bank AB	9.54%
BNP Paribas Securities Services ITA	1.87%
Anderson Invest AS	1.36%
Danske Bank A/S	1.18%
	77.82%

* *BNP Paribas Securities Services BPSS held 16,252,990 shares of the Company in custodian for Jinhui Holdings Company Limited as at 31 December 2019 and hence Jinhui Holdings Company Limited had approximately 55.69% beneficial interests in the Company.*

27. RESERVES

Details of movements in reserves of the Group are set out in the "Consolidated Statement of Changes in Equity" on page 62.

Share premium
The application of the share premium account is governed by Section 40(2) of the Companies Act 1981 of Bermuda.

Capital redemption reserve
Capital redemption reserve represents the par value of the repurchased and cancelled shares.

Contributed surplus
Contributed surplus will be dealt with in accordance with Section 54 of the Companies Act 1981 of Bermuda.

27. RESERVES *(Continued)*

Revaluation reserve

Revaluation reserve represents the revaluation surplus between the carrying amount of the leasehold land and building which is owner-occupied and the fair value of that property at the date of reclassification to investment properties.

Reserve for financial assets at fair value through OCI

Reserve for financial assets at fair value through OCI represents the changes in fair value of financial assets at fair value through OCI. As at 31 December 2019, the reserve for financial assets at fair value through OCI consists of recycling and non-recycling portion amounting to income of US$27,000 (2018: US$52,000) and loss of US$979,000 (2018: US$295,000) respectively.

28. SECURED BANK LOANS

The maturity of secured bank loans is as follows:

	2019	2018
	US$'000	*US$'000*
Within one year	**69,046**	24,506
In the second year	**13,880**	8,434
In the third to fifth year	**46,213**	40,691
Wholly repayable within five years	**129,139**	73,631
After the fifth year	**4,776**	16,552
Total secured bank loans	**133,915**	90,183
Less: Amount repayable within one year	**(69,046)**	(24,506)
Amount repayable after one year	**64,869**	65,677

During the year, the Group had drawn new revolving loans and term loan of US$79,752,000 (2018: US$41,384,000).

28. SECURED BANK LOANS *(Continued)*

At the reporting date, secured bank loans represented vessel mortgage loans that were denominated in United States Dollars, and other bank loans that were denominated in Hong Kong Dollars and United States Dollars. All secured bank loans were committed on floating rate basis ranging from 2.99% to 5.16% (2018: 3.50% to 4.29%) per annum. These loans are secured by certain of the Group's assets as disclosed in note 34.

The carrying amount of the secured bank loans is considered to be a reasonable approximation of its fair value.

29. TRADE AND OTHER PAYABLES

	2019	2018
	US$'000	*US$'000*
Trade payables	**365**	313
Accrued charges	**846**	1,297
Other payables		
Payables related to vessel running cost and ship operating expenses	**16,810**	16,282
Hire receipt in advance	**432**	878
Loan interest payables	**344**	368
Accrued employee benefits	**557**	975
Others	**335**	298
	18,478	18,801
	19,689	20,411

The carrying amounts of trade and other payables are considered to be a reasonable approximation of their fair values.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2019	2018
	US$'000	*US$'000*
Profit before taxation	**4,495**	8,713
Adjustments for:		
Depreciation and amortization	**15,362**	17,593
Interest income	**(3,694)**	(1,230)
Interest expenses	**4,323**	3,161
Dividend income	**(1,929)**	(747)
Net gain on disposal of owned vessels	**(90)**	(5,437)
Net gain on disposal of assets held for sale	**(608)**	–
Change in fair value of investment properties	**245**	73
Reversal of impairment loss on trade and other receivables, net	**(2)**	(36)
Bad debts written off in respect of trade receivables	**214**	37
Cash generated from operations before changes in working capital	**18,316**	22,127
Changes in working capital:		
Inventories	**(1,263)**	(292)
Trade and other receivables	**4,572**	2,267
Financial assets at fair value through profit or loss	**(24,161)**	(16,038)
Loan receivables	**(36,554)**	–
Trade and other payables	**(698)**	(2,248)
Amount due to holding company	**37**	6
Increase in working capital	**(58,067)**	(16,305)
Cash generated from (used in) operations	**(39,751)**	5,822

Non-cash transactions

The Group entered into non-cash investing activities which are not reflected in the consolidated statement of cash flows. During the year, the Group entered into two agreements to dispose of two vessels to two purchasers with the payment terms of the balance of approximately US$4.4 million and US$4 million which would be repayable in three years. Certain sales proceeds had not been received in cash at the end of the reporting period and recognized as loan receivables (note 22).

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities are classified as follows:

	Vessel mortgage loans	Other secured bank loans	Total secured bank loans
	US$'000	*US$'000*	*US$'000*
At 1 January 2018	137,825	–	137,825
Cash flows:			
Drawdown of loans	22,000	19,384	41,384
Repayment of loans	(87,115)	(1,911)	(89,026)
At 31 December 2018	72,710	17,473	90,183
At 1 January 2019	72,710	17,473	90,183
Cash flows:			
Drawdown of loans	–	79,752	79,752
Repayment of loans	(10,082)	(25,938)	(36,020)
At 31 December 2019	**62,628**	**71,287**	**133,915**

32. DEFERRED TAXATION

At the reporting date, deferred tax assets have not been recognized in respect of tax losses of US$275,411,000 (2018: US$262,813,000).

Deferred tax assets have not been recognized in respect of tax losses because it is not probable that future taxable profit will be available against which the unused tax losses can be utilized. Such tax losses do not expire under current tax legislation.

33. FUTURE OPERATING LEASE ARRANGEMENTS

At the reporting date, the Group had future minimum lease income receivables under non-cancellable operating leases as follows:

	2019	2018
	US$'000	*US$'000*
Within one year:		
Premises	**66**	54
Owned vessels	**1,884**	13,587
	1,950	13,641
In the second to fifth year:		
Premises	**14**	–
	1,964	13,641

34. PLEDGE OF ASSETS

At the reporting date, the Group had certain credit facilities which were secured by the followings:

(a) Legal charges on the Group's property, plant and equipment (note 18) with an aggregate net book value of US$204,808,000 (2018: US$216,940,000) and investment properties (note 19) with an aggregate carrying amount of US$24,164,000 (2018: US$24,333,000);

(b) Financial assets at fair value through profit or loss of US$55,428,000 (2018: nil);

(c) Deposits totaling US$8,437,000 (2018: US$3,426,000) of the Group placed with banks;

(d) Assignment of twenty (2018: eighteen) subsidiaries' income in favour of banks; and

(e) Assignment of two (2018: nil) subsidiaries' loan receivables of US$40,935,000 (2018: nil) in favour of bank.

In addition, shares of ten (2018: ten) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

35. CAPITAL EXPENDITURE COMMITMENTS

During the year, capital expenditure on additions of property, plant and equipment was US$8,942,000 (2018: US$5,218,000) and on investment properties was US$5,195,000 (2018: US$8,774,000).

On 20 April 2018, a wholly owned subsidiary of the Company (the "Co-Investor") entered into the co-investment documents to co-invest in a property project in Tower 3 of Shanghai Financial Street Center, Jing'an Central Business District, Shanghai, the PRC, pursuant to which the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss, the holding company of the co-investment vehicle, of US$10,000,000. During the year, the Co-Investor paid US$2,678,000 (2018: US$4,827,000) in accordance with the terms and conditions of the co-investment documents and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US$2,495,000 (2018: US$5,173,000).

On 2 November 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of an investment property at a consideration of HK$30,993,000 (approximately US$3,973,000). The investment property is a Grade A office asset located in one of the most sought after central business district of Hong Kong and is expected to generate steady and recurring stream of income for the Group. The completion date of the acquisition of the investment property was 31 January 2019 and the total costs capitalized were US$4,330,000. As at 31 December 2018, the capital expenditure commitments contracted by the Group but not provided for was HK$26,344,000 (approximately US$3,377,000).

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for net of deposits paid, was approximately US$2,495,000 (2018: US$8,550,000).

36. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following related party transactions:

(a) Receipt of an administrative fee of US$248,000 (2018: US$246,000) from Jinhui Holdings;

(b) Lease payment of US$17,000 (2018: US$17,000) under a short term lease to a fellow subsidiary; and

(c) Compensation of key management personnel as follows:

	2019	2018
	US$'000	*US$'000*
Salaries and other benefits	**8,127**	7,246
Contributions to retirement benefits schemes	**443**	360
	8,570	7,606

Other payables included accrued employee benefits payables to directors and senior management of US$378,000 (2018: US$799,000). There is no other balance or transaction related to connected party or any director and senior management and substantial shareholder of the Group.

37. EVENTS AFTER THE REPORTING DATE

Co-Investment

In relation to the Co-Investment in a property project in T3 Property as mentioned in note 20, the Co-Investor agreed and signed a supplemental memorandum (the "Memorandum") on 31 January 2020 with the Investment Manager, pursuant to which the Co-Investor agreed to provide US$4,276,915 in early February 2020 for acquiring 4,276,915 issued non-voting participating class A shares of Dual Bliss under the Co-Investment supplemental capital call as required under the Memorandum (the "Co-Investment Supplemental Capital Call"). This Co-Investment Supplemental Capital Call is required for all shareholders of Dual Bliss and all other investors of the Co-Investment in T3 Property on a pro rata basis for the purpose of temporarily funding the unwinding of intercompany loan receivable / payable of the wholly-owned foreign-owned subsidiaries and onshore subsidiaries within the existing structure of the Co-Investment Vehicle by the special funding (the "Special Fund") from this Co-Investment Supplemental Capital Call in order to obtain banking facilities under PRC regulations for the Co-Investment. The unwinding exercise is a condition precedent for the bank loan drawdown.

Subject to all applicable PRC governmental and regulatory approvals, the wholly-owned foreign-owned subsidiaries and onshore subsidiaries within the existing structure of the Co-Investment Vehicle will use the Special Fund to unwind the intercompany loan receivable / payable and upon the fulfilment of the condition precedent for successful drawdown of the bank loan facilities, it is expected that the Special Fund will be remitted back to respective shareholders in proportion to the shareholdings under a mandatory share repurchase scheme mechanism within the expected two months' timeframe under the Memorandum. At the end of the two months expected timeframe, the Co-Investor will receive the total of US$4,276,915 under the share repurchase scheme, subject to exchange rate variance, the 4,276,915 issued non-voting participating class A shares of Dual Bliss under the Co-Investment Supplemental Capital Call will be repurchased and cancelled.

Given the unwinding of the intercompany loan receivable / payable by the Special Fund is a condition precedent for successful drawdown of the bank loan facilities for the completion of Co-Investment in T3 Property under the latest PRC regulations, it is crucial and beneficial to the Co-Investor to contribute to the Co-Investment Supplemental Capital Call along with all shareholders of Dual Bliss and all other co-investors in the Co-Investment in T3 Property on a proportional basis for the purpose of a successful completion of T3 Property project. Taking into account the abovementioned factors, the Directors consider that the terms and conditions of the Memorandum are fair and reasonable and on normal commercial terms and are in the interests of the Company and its shareholders as a whole and the Co-Investor has provided US$4,276,915 as Co-Investment Supplemental Capital Call in early February 2020.

37. EVENTS AFTER THE REPORTING DATE *(Continued)*

Coronavirus Disease 2019 ("COVID-19")

Events as such that causes global public health concern is keeping all market participants of all industries worldwide on their toes. This negative backdrop translated to much reduced activity in the dry bulk freight market given the sudden erosion in business confidence as well as turbulence in global financial markets. We will continue to monitor the development of COVID-19 outbreak very closely to assess its impact to our business, and will keep all shareholders informed timely and accordingly.

On a positive note, we have been vigilant on this front as a company in making sure our operations, as well as our colleagues at shore or at sea are in no way negatively affected by the COVID-19. We have adopted policies to ensure all our colleagues are healthy and remain positive in order to take action as soon as the market conditions pick up. We are cautiously optimistic that business activity will resume sooner than later, as governments and public health authorities around the world gain increased control over the spread of the COVID-19 in the coming days.

38. FINANCIAL RISK MANAGEMENT AND POLICIES

The Group is exposed to financial risks through its use of financial instruments which arise from its business activities. The financial risks include market risk (mainly comprise of interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. The management manages and monitors the financial risk exposures to ensure appropriate measures are implemented on a timely and effective manner. These policies have been in place for years and are considered to be effective.

38. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

(a) Categories of financial instruments

At the reporting date, the carrying amounts of financial instruments presented in the consolidated statement of financial position related to the following categories of financial assets and financial liabilities:

	2019	2018
	US$'000	*US$'000*
Financial assets		
Financial assets at fair value through OCI		
Unlisted equity investments	**6,545**	4,551
Unlisted club membership	**365**	390
	6,910	4,941
Financial assets at fair value through profit or loss		
Listed equity securities	**41,536**	34,928
Listed debt securities	**22,535**	4,355
Equity linked notes	**–**	560
	64,071	39,843
Financial assets at amortized cost		
Trade and other receivables	**9,467**	12,301
Loan receivables	**44,935**	–
Pledged deposits	**8,437**	3,426
Bank balances and cash	**33,591**	49,268
	96,430	64,995
	167,411	109,779
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables	**19,236**	19,520
Amount due to holding company	**127**	90
Secured bank loans	**133,915**	90,183
	153,278	109,793

38. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

(b) Interest rate risk

Exposures to interest rate risk and the Group's risk management policies

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk arises primarily from bank borrowings that were committed on floating rate basis. The Group receives fixed interest income from investment in debt securities and loan receivables.

The Group manages interest rate risk by monitoring its interest rate profile as set out in note 28.

Sensitivity analysis*

Based on the exposures to bank borrowings of US$133,915,000 (2018: US$90,183,000) at the reporting date, it was estimated that an increase of 25 (2018: 50) basis points in interest rate, with all other variables remaining constant, the Group's net profit would decrease by approximately US$335,000 (2018: US$451,000).

The sensitivity analysis above has been determined as if the change in interest rate had occurred at the reporting date. The basis of 25 (2018: 50) points increase is considered to be reasonably possible change based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next reporting date.

(c) Foreign currency risk

Exposures to foreign currency risk and the Group's risk management policies

Foreign currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions, assets and liabilities are mainly denominated in United States Dollars, the functional currency of the Company. Certain of the Company's subsidiaries report in Hong Kong Dollars which is linked to United States Dollars at exchange rate of around US$1.00 to HK$7.80. The Group believes that there will be no significant fluctuation in the exchange rates between Hong Kong Dollars and United States Dollars.

At the reporting date, the Group was exposed to foreign currency risk primarily through holding certain bank deposits and investment in equity securities mainly denominated in Singapore Dollars amounting to SGD2,514,000 and SGD23,590,000, approximately US$1,862,000 and US$17,469,000 respectively (2018: certain bank deposits and investment in equity securities mainly denominated in Singapore Dollars amounting to SGD127,000 and SGD19,526,000, approximately US$93,000 and US$14,347,000 respectively) and through holding certain bank deposits mainly denominated in Renminbi amounting to RMB4,565,000, approximately US$653,000 (2018: certain bank deposits and investment in debt securities mainly denominated in Renminbi amounting to RMB5,699,000 and RMB10,166,000, approximately US$832,000 and US$1,484,0000) respectively.

* *The sensitivity analysis disclosed above represents the risks inherent to the Group's financial instruments as of each reporting date. The result of the sensitivity analysis may differ from time to time according to the then prevailing market conditions.*

38. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

(c) Foreign currency risk *(Continued)*

Sensitivity analysis*

At the reporting date, based on the total exposures to the bank deposits and equity securities mainly denominated in Singapore Dollars of SGD26,104,000, approximately US$19,331,000, and the bank deposits mainly denominated in Renminbi amounting to RMB4,565,000, approximately US$653,000 (2018: bank deposits and equity securities mainly denominated in Singapore Dollars of SGD19,653,000, approximately US$14,440,000, and the bank deposits and debt securities mainly denominated in Renminbi amounting to RMB15,865,000, approximately US$2,316,000), it was estimated that a depreciation of 5% in exchange rate of Singapore Dollars and Renminbi against United States Dollars (2018: 5%) would result in a decrease to the Group's net profit by approximately US$952,000 (2018: US$887,000) with all other variables remain constant. The sensitivity analysis had been determined based on the assumed exchange rate movement of Singapore Dollars and Renminbi against United States Dollars (2018: Singapore Dollars and Renminbi against United States Dollars) taking place at the beginning of the year and held constant throughout the year.

(d) Price risk

Exposures to price risk and the Group's risk management policies

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will decline because of adverse market price movements of the financial instrument. The Group is exposed to price risk primarily through its investments in listed equity securities and debt securities classified as financial assets at fair value through profit or loss.

The Group's portfolio of financial instruments that exposed to price risk at the reporting date is set out in note 24.

Sensitivity analysis*

Based on the portfolio of listed equity securities held by the Group at the reporting date, if the quoted prices of the listed equity securities had been decreased by 10% (2018: 10%), the Group's net profit would decrease by approximately US$4,154,000 (2018: US$3,493,000).

Based on the portfolio of listed debt securities held by the Group at the reporting date, if the quoted prices of the listed debt securities had been decreased by 10% (2018: 10%), the Group's net profit would decrease by approximately US$2,253,000 (2018: US$435,000).

* *The sensitivity analysis disclosed above represents the risks inherent to the Group's financial instruments as of each reporting date. The result of the sensitivity analysis may differ from time to time according to the then prevailing market conditions.*

38. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

(e) Credit risk

Exposures to credit risk and the Group's risk management policies

Credit risk relates to the risk that the counterparty to a financial instrument would fail to discharge its contractual obligations under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposures to credit risk mainly arises from granting credit to charterers in the ordinary course of its operations, loan receivables to third parties and deposits or other financial assets placed with financial institutions.

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding trade receivables are reviewed and followed up on an ongoing basis. Credit evaluations including assessing the customer's creditworthiness and financial standing are performed on customers requiring a credit over certain amount.

The credit terms given to charterers vary from 15 to 60 days according to the types of vessels' employment.

For trade receivables, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. Loss allowance of approximately 97% (2018: 93%) on Group's outstanding trade receivables over one year past due of US$10,732,000 (2018: US$11,334,000) was provided as at 31 December 2019. Except for those loss allowance already provided on Group's outstanding trade receivables over one year past due, the ECL rate of collectively assessed remaining trade receivables over one year past due is approximately 4% and the management consider that the credit risks inherent in the Group's outstanding trade receivables within one year past due was immaterial.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

38. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

(e) Credit risk *(Continued)*

Exposures to credit risk and the Group's risk management policies *(Continued)*

For other receivables, the Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition. For the result of the assessment, no impairment loss (2018: impairment loss of US$2,471,000) on other receivables was provided as at reporting date. The remaining outstanding other receivables of US$7,808,000 (2018: US$10,891,000) are considered as not deteriorated significantly in credit quality or with low credit risk. Management believes that there was no significant increase in credit risk inherent in the Group's outstanding balance of other receivables.

For loan receivables, it is recognized at the stage of the financial instruments that have not deteriorated in credit quality or not credit-impaired on initial recognition or that have low credit risk as those receivables are with collaterals to cover or limit any potential loss. The Group continuously monitored its credit risk and measures the loss allowance for these financial assets equal to 12-month ECL with taking those collaterals into accounts, unless when there has been a significant increase in credit risk since initial recognition or classified as credit-impaired, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition or classified as credit-impaired.

The Group generally grants loans with a loan-to-value ratio of no more than 70% of the value in the valuation report of the vessels held as collateral. The directors consider that the credit risk arising from loan receivables is significantly mitigated by the vessels held as collateral, with reference to the market values of the vessels which were appraised by independent qualified appraisal firms. When the market value of borrowers' collaterals fall below the loan-to-value ratio and the borrower is past due on its contractual repayment, the Group considers loan receivables to have experienced an increase in credit risk. The average credit terms given to borrowers are generally 15 days. The loan receivables are reviewed by the management at the reporting date to assess impairment allowance which are based on the evaluation of current creditworthiness, collection statistic and the market values of similar vessels which were appraised by independent qualified appraisal firms.

For the result of the assessment, by reference to the value of the collateral ships of approximately US$74.2 million (2018: nil) without significant change in the quality, the management believes that loan receivables of US$44,935,000 (2018: nil) as at 31 December 2019 were concluded as low credit risk without any default events, modified credit risk or other factors lead to an significant increase in the credit risk. Therefore, no loan receivables was impaired (2018: nil) or written off (2018: nil) as at reporting date.

For the financial assets at fair value through OCI, the management believes that the credit risk inherent in the Group is low and counterparties have the capacity to meet their contractual cash flow obligation in the near term and the ECL recognized is based on the 12-month ECL.

38. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

(e) Credit risk *(Continued)*

Exposures to credit risk and the Group's risk management policies *(Continued)*

The Group has no significant concentration of credit risk in respect of trade receivables, with exposure spread over a number of charterers. At the reporting date, the Group did not hold any collateral from charterers.

Bank deposits are only placed with creditworthy financial institutions. The management does not expect any financial institutions fail to meet their obligations.

(f) Liquidity risk

Exposures to liquidity risk and the Group's risk management policies

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other borrowings. The management regularly monitors the Group's current and expected liquidity requirements and its compliance with lending covenants, to ensure it maintains sufficient reserves of cash and bank balances, readily realizable marketable equity and debt securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirement.

The analysis below set out the remaining contractual maturity based on undiscounted cash flow of the Group's financial liabilities at the reporting date.

	Within one year *US$'000*	In the second year *US$'000*	In the third to fifth year *US$'000*	After the fifth year *US$'000*	Total undiscounted amount *US$'000*	Carrying amount *US$'000*
2019						
Trade and other payables	**19,236**	**–**	**–**	**–**	**19,236**	**19,236**
Amount due to holding company	**127**	**–**	**–**	**–**	**127**	**127**
Secured bank loans	**74,343**	**16,064**	**49,540**	**4,828**	**144,775**	**133,915**
	93,706	**16,064**	**49,540**	**4,828**	**164,138**	**153,278**
2018						
Trade and other payables	19,520	–	–	–	19,520	19,520
Amount due to holding company	90	–	–	–	90	90
Secured bank loans	28,056	10,995	46,051	17,080	102,182	90,183
	47,666	10,995	46,051	17,080	121,792	109,793

39. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(a) to ensure the Group's ability to continue as a going concern;

(b) to provide adequate returns for shareholders;

(c) to maintain an optimal capital structure to reduce the cost of capital; and

(d) to support the Group's stability and sustainable growth.

The Group's capital management strategies are to rely on internal resources and interest-bearing borrowings to finance the capital expenditures. The management may make adjustments to its capital structure in the light of changes in economic conditions, recent market values of the Group's assets as well as the risk characteristics of the underlying assets through adjusting the amount of dividends paid to shareholders, issuing new shares or selling assets to reduce debts.

The Group monitors capital structure on the basis of the gearing ratio. This ratio is calculated as net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity. The gearing ratio of the Group at the reporting date is calculated as follows:

	2019	2018
	US$'000	*US$'000*
Secured bank loans repayable within one year	**69,046**	24,506
Secured bank loans repayable after one year	**64,869**	65,677
Total secured bank loans	**133,915**	90,183
Less: Equity and debt securities	**(64,071)**	(39,283)
Less: Bank balances and cash	**(33,591)**	(49,268)
Net debts	**36,253**	1,632
Total equity	**252,702**	250,953
Gearing ratio	**14.35%**	0.65%

40. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2019	Attributable equity interest at 31/12/2018	Principal activities	Place of operation
Incorporated in Bermuda					
# Jinhui MetCoke Limited	12,000 ordinary shares of US$1 each	100%	100%	Investment holding	Worldwide
Incorporated in the British Virgin Islands					
Advance Rich Limited	1 share of US$1 each	100%	100%	Investment	Worldwide
# Jin Hui Shipping Inc.	50,000 shares of US$1 each	100%	100%	Investment holding	Worldwide
# Jinhui Investments Limited	1 share of US$1 each	100%	100%	Investment holding	Worldwide
Incorporated in Hong Kong					
Fair Fait International Limited	HK$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Goldbeam International Limited	HK$5,000,000 divided into 5,000,000 ordinary shares	100%	100%	Ship management services, shipping agent and investment	Hong Kong
Good Sunshine Limited	HK$1 divided into 1 ordinary shares	100%	100%	Property investment	Hong Kong
Jinhui Finance (Hong Kong) Limited	HK$10,000 divided into 10,000 ordinary shares	100%	100%	Money lending	Hong Kong
Leadford Industries Limited	HK$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2019	Attributable equity interest at 31/12/2018	Principal activities	Place of operation
Incorporated in Hong Kong *(Continued)*					
Monocosmic Limited	HK$10,000 divided into 10,000 ordinary shares	100%	100%	Property investment	Hong Kong
Noble Talent Development Limited	HK$1 divided into 1 ordinary share	100%	100%	Property investment	Hong Kong
Ringo Star Company Limited	HK$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Union Gold Limited	HK$1 divided into 1 ordinary share	100%	100%	Property investment	Hong Kong
Incorporated in the Republic of Liberia					
Galsworthy Limited	1 registered share of US$1 each	100%	100%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US$1 each	100%	100%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US$1 each	100%	100%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US$1 each	100%	100%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US$1 each	100%	100%	Ship chartering	Worldwide

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2019	Attributable equity interest at 31/12/2018	Principal activities	Place of operation
Incorporated in the Republic of Panama					
Jinao Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jingang Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinhong Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinji Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinjun Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinlang Marine Inc.	2 registered shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinmei Marine Inc.	2 registered shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2019	Attributable equity interest at 31/12/2018	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
Jinsui Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jintong Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinwan Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinxiang Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinxing Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinyao Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinyi Shipping Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinyuan Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide
Jinyue Marine Inc.	2 common shares of US$1 each	100%	100%	Ship owning	Worldwide

These are direct subsidiaries of the Company. All other companies are indirect subsidiaries.

Glossary

This glossary contains the abbreviations and main terms used in the 2019 annual report.

Abbreviations / Main terms	Meanings in the annual report
Board	Board of Directors;
Chairman	Chairman of the Board;
China / PRC	The People's Republic of China;
Company / Jinhui Shipping	Jinhui Shipping and Transportation Limited, a limited liability company incorporated in Bermuda and an approximately 55.69% owned subsidiary of Jinhui Holdings as at 31 December 2019, whose shares are listed on the Oslo Stock Exchange (stock code: JIN);
Company Code	A set of code adopted by the Company, which sets out the corporate standards and practices used by the Group;
Continuing Obligations	The rules on the Continuing Obligations of Stock Exchange Listed Companies issued by Oslo Bors ASA;
Director(s)	Director(s) of the Company;
DWT	Deadweight tonnage;
ECL	Expected credit loss;
Group	Company and its subsidiaries;
HKAS	Hong Kong Accounting Standards;
HKFRS	Hong Kong Financial Reporting Standards;

Glossary

Abbreviations / Main terms	Meanings in the annual report
HKICPA	Hong Kong Institute of Certified Public Accountants;
Hong Kong	The Hong Kong Special Administrative Region of the PRC;
IAS	International Accounting Standards;
IASB	The International Accounting Standards Board;
IFRS	International Financial Reporting Standards;
IMO	The International Maritime Organization;
ISM Code	The International Safety Management Code;
ISPS Code	The International Ship and Port Facility Security Code;
Jinhui Holdings	Jinhui Holdings Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Hong Kong Stock Exchange (stock code: 137);
MARPOL	The International Convention for the Prevention of Pollution from Ships;
Nordea Bank	Nordea Bank Abp, Filial Norge;
Norwegian Code of Practice	The Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board;
Post-Panamax	Vessel of deadweight approximately between 90,000 metric tons to 100,000 metric tons;
Shareholder(s)	Shareholder(s) of the Company;
STCW Convention	The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers;

Glossary

Abbreviations / Main terms	Meanings in the annual report
Supramax(es)	Dry cargo vessel(s) of deadweight approximately 50,000 metric tons;
VAT	Value added tax;
VPS	Norwegian Verdipapirsentralen, the Norwegian Registry of Securities / Norwegian Central Securities Depository;
HK$	Hong Kong Dollars, the lawful currency of Hong Kong;
RMB	Renminbi, the lawful currency of the PRC;
SGD	Singapore Dollars, the lawful currency of Singapore; and
US$	United States Dollars, the lawful currency of the United States of America.