JINHUI HOLDINGS COMPANY LIMITED

金輝集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code : 137

2019 RESULTS ANNOUNCEMENT

HIGHLIGHTS
FOR THE YEAR 2019

- Revenue for the year: HK$493 million
- Operating profit for the year: HK$51 million
- Net loss attributable to shareholders for the year: HK$3 million
- Basic loss per share: HK$0.007
- Gearing ratio as at 31 December 2019: 18%

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the results of **Jinhui Holdings Company Limited** (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2019.

2019 ANNUAL RESULTS

The Group's revenue for the year 2019 was HK$492,645,000 whereas HK$593,680,000 was reported for the year 2018. The net loss attributable to shareholders of the Company for the year was HK$3,450,000 while net profit of HK$48,223,000 was reported for the year 2018. Basic loss per share for the year was HK$0.007 as compared to basic earnings per share of HK$0.091 for the year 2018.

During the year, the Group entered into two agreements to dispose two vessels to two purchasers with the payment terms of the balance of approximately US$4.4 million (approximately HK$34.2 million) and US$4 million (approximately HK$31.2 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 entered into six facility agreements, pursuant to which the Group agreed to provide six loans of US$38 million (approximately HK$296.4 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 (approximately HK$478.9 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.

DIVIDENDS

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.

BUSINESS REVIEW

Chartering freight and hire. The Group operates its worldwide shipping activities through Jinhui Shipping and Transportation Limited, an approximately 55.69% owned subsidiary of the Company, whose shares are listed on the Oslo Stock Exchange, Norway.

MANAGEMENT DISCUSSION AND ANALYSIS

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 ("BDI") 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 BDI 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. BDI 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.

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

Revenue from chartering freight and hire for the year 2019 was HK$492,645,000 representing a decrease of 17% as compared to HK$593,680,000 for the year 2018. The decrease was mainly due to the reduction in the number of owned vessels and the average daily TCE earned by the Group's owned vessels slightly dropped to US$9,533 (approximately HK$74,000) for the year 2019 as compared to US$9,922 (approximately HK$77,000) for the year 2018.

Key Performance Indicators for Shipping Business	**2019**	2018
	HK$'000	*HK$'000*
Average daily TCE	**74**	77
Daily vessel running cost	**31**	31
Daily vessel depreciation	**16**	16
Daily vessel finance cost	**3**	3
	50	50
Average utilization rate	**99%**	99%

Daily vessel running cost slightly decreased 3% from US$4,028 (approximately HK$31,400) for the year 2018 to US$3,927 (approximately HK$30,600) for the year 2019. Daily vessel finance cost increased 6% from US$387 (approximately HK$3,000) for the year 2018 to US$412 (approximately HK$3,200) 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**

In January 2019, the Group entered into an agreement to dispose a Supramax of deadweight 50,209 metric tons at a consideration of US$7,381,000 (approximately HK$57,570,000), which was delivered to the purchaser in March 2019.

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 (approximately HK$93,600,000). 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 (approximately HK$4,875,000) lodged with the escrow agent had been refunded to the Group in accordance with the terms of the second agreement.

In December 2019, the Group entered into an agreement to dispose a Supramax of deadweight 50,230 metric tons at a consideration of US$5,460,000 (approximately HK$42,588,000), which was delivered to the purchaser in December 2019.

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.

FINANCIAL REVIEW

Revenue and operating profit. Revenue from chartering freight and hire for the year 2019 was HK$492,645,000 representing a decrease of 17% as compared to HK$593,680,000 for the year 2018. The decrease was mainly due to the reduction in the number of owned vessels and the average daily TCE earned by the Group’s owned vessels slightly dropped to US$9,533 (approximately HK$74,000) for the year 2019 as compared to US$9,922 (approximately HK$77,000) for the year 2018. The Company recorded a consolidated operating profit before finance costs and taxation of HK$50,668,000 for the year 2019, comparing to HK$105,613,000 for the year 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The net loss attributable to shareholders of the Company for the year was HK$3,450,000 while net profit of HK$48,223,000 was reported for the year 2018. Basic loss per share for the year was HK$0.007 as compared to basic earnings per share of HK$0.091 for the year 2018.

Other operating income. Other operating income decreased from HK$72,331,000 for the year 2018 to HK$66,845,000 for the year. Other operating income for the year mainly included dividend income of HK$15,488,000, net gain of HK$15,476,000 on financial assets at fair value through profit or loss, rental income of HK$6,524,000, net gain of HK$4,746,000 on disposal of assets held for sale (disposed vessel) and settlement income of HK$4,789,000 from a charterer in relation to repudiation claims.

Interest income. Interest income for the year 2019 increased to HK$29,707,000, comparing to HK$10,966,000 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 reduced from HK$295,439,000 for the year 2018 to HK$254,938,000 for the year 2019. The decrease was attributable to the reduction in the number of owned vessels. Daily vessel running cost slightly decreased 3% from US$4,028 (approximately HK$31,400) for the year 2018 to US$3,927 (approximately HK$30,600) 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 decreased from HK$87,067,000 for the year 2018 to HK$61,956,000 for the current year. The decrease is mainly due to the Group recorded net loss of HK$32,866,000 on financial assets at fair value through profit or loss for the year 2018 as compared to net gain of HK$15,476,000 which was included in other operating income for the year 2019. Other operating expenses mainly comprised of HK$15.7 million of revaluation deficit arisen from investment properties, professional fee of approximately HK$9 million, directors' fee of approximately HK$6.7 million, auditor's remuneration of approximately HK$1.7 million, bad debts written off in respect of trade receivables of approximately HK$1.7 million and remaining are various office administrative expenses.

Finance costs. Finance costs increased from HK$27,275,000 for the year 2018 to HK$38,583,000 for the year 2019. The increase was mainly attributable to the rising interest rate and the increase in new secured bank loans as compared with that of the year 2018.

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 HK$510,605,000 (2018: HK$323,606,000), in which HK$334,833,000 (2018: HK$285,267,000) was investment in listed equity securities, HK$175,772,000 (2018: HK$33,968,000) was investment in listed debt securities and no investment in equity linked notes (2018: HK$4,371,000). During the year, the Group's net gain on financial assets at fair value through profit or loss was HK$15,476,000 (2018: net loss of HK$32,866,000 on financial assets at fair value through profit or loss) and the aggregate interest income and dividend income from financial assets was HK$45,195,000 (2018: HK$17,039,000). Despite the Group recorded net gain of HK$15,476,000 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 two vessels to two purchasers with the payment terms of the balance of approximately US$4.4 million (approximately HK$34.2 million) and US$4 million (approximately HK$31.2 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 (approximately HK$296.4 million) which are repayable in three years to five years with interest ranged from 8% to 10%. The directors considered the respective six borrowers (Bao Rich Shipping Co., Ltd, Bao Winning Shipping Co., Ltd, Yuanfeng Shipping Co., Ltd, Bao Yuan Shipping Co., Ltd, Golden Alpha Shipping Co., Ltd, Bao Progress Shipping Co., Ltd) are associated with each other as their ultimate beneficial owners are relatives. As at 31 December 2019, the aggregate outstanding loan receivables from these six borrowers were approximately US$37.7 million (approximately HK$293.7 million). The loans are collateralized and the value of the collateral ships were approximately US$61.4 million (approximately HK$478.9 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% 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.

Trade and other payables. As at 31 December 2019, the Group’s trade and other payables was HK$153,891,000 (2018: HK$158,185,000), including trade payables of HK$2,844,000 (2018: HK$2,438,000), accrued charges of HK$7,223,000 (2018: HK$10,706,000) and other payables of HK$143,824,000 (2018: HK$145,041,000). Other payables mainly included payables related to vessel running cost and ship operating expenses of HK$131,122,000 (2018: HK$126,999,000) for owned vessels, hire receipt in advance of HK$3,369,000 (2018: HK$6,846,000) from charterers, loan interest payables of HK$2,775,000 (2018: HK$3,005,000) and accrued employee benefits payables of HK$4,343,000 (2018: HK$7,606,000).

Liquidity, financial resources and capital structure. As at 31 December 2019, the Group maintained positive working capital position of HK$211,986,000 (2018: HK$479,832,000) and the total of the Group's equity and debt securities, bank balances and cash increased to HK$808,308,000 (2018: HK$712,506,000). During the year, cash generated from operations before changes in working capital was HK$140,861,000 (2018: HK$163,343,000) and the net cash used in operating activities after working capital changes was HK$347,122,000 (2018: net cash from operating activities after working capital changes was HK$17,208,000). 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 HK$829,473,000 as of 31 December 2018 to HK$1,188,193,000 as at 31 December 2019, of which 54%, 13%, 30% and 3% 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 HK$642,063,000 (2018: HK$458,000,000). 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 18% (2018: 6%) 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.

Pledge of assets. As at 31 December 2019, the Group's property, plant and equipment with an aggregate net book value of HK$1,619,289,000 (2018: HK$1,716,113,000), investment properties with an aggregate carrying amount of HK$371,500,000 (2018: HK$386,610,000), financial assets at fair value through profit or loss of HK$432,340,000 (2018: nil) and deposits of HK$65,810,000 (2018: HK$26,722,000) placed with banks were pledged together with the assignment of twenty (2018: eighteen) subsidiaries' income and assignment of two (2018: nil) subsidiaries receivables of HK$319,300,000 (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 owned vessels was HK$68,097,000 (2018: HK$40,641,000), on other property, plant and equipment was HK$1,654,000 (2018: HK$1,232,000) and on investment properties was HK$40,519,000 (2018: HK$191,724,000).

On 20 April 2018, an approximately 55.69% indirectly 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 (approximately HK$78,000,000). During the year, the Co-Investor paid US$2,678,000, approximately HK$20,884,000 (2018: US$4,827,000, approximately HK$37,652,000) 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, approximately HK$19,464,000 (2018: US$5,173,000, approximately HK$40,347,000). Subsequent to the reporting date, the Co-Investor further provided additional US$4,276,915, approximately HK$33,360,000 (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 19 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. 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. As at 31 December 2018, the capital expenditure commitments contracted by the Group but not provided for was HK$26,344,000.

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 HK$19,464,000 (2018: HK$66,691,000).

SIGNIFICANT INVESTMENT AND ACQUISITION

SIGNIFICANT INVESTMENT

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") have now been extended to also require companies to disclose the details of each significant securities investment that represents 5% or more of their total assets. As at 31 December 2019, the Group has no securities investment that accounted for 5% or more of the total assets. Nevertheless, the details of the Group's equity investment with a market value that account for more than 5% of the Group's net assets at the reporting date is set out below:

As at 31 December 2019, the Group had investments in listed equity and debt securities with fair value of HK$334,833,000 and HK$175,772,000 respectively. These investments had been classified as financial assets at fair value through profit or loss as the primary objective of these investments is held for trading. During the year 2019, the Group recognized realized trading gain of HK$8,560,000 and unrealized gain from mark-to-market fair value adjustments of HK$9,624,000 from its investment in equity securities.

United Overseas Bank Limited ("UOB") (Stock Code: U11), listed on Singapore Exchange, provides a wide range of financial services from core business segments which include personal financial services, private banking, business banking, commercial and corporate banking, transaction banking, investment banking, corporate finance, capital market activities, treasury services, brokerage and clearing services.

The Group held 723,307 shares of UOB with investment cost of approximately HK$110,717,000. The fair value of these shares as at 31 December 2019 was approximately HK$110,341,000, which represented approximately 3.20% of the Group's total assets and 5.25% of the Group's net assets.

As disclosed in the results announcement of UOB for the year ended 31 December 2019, UOB recorded an audited net earnings of SGD 4 billion. Basic earnings per share for the year 2019 was SGD2.55 as compared to basic earnings per share of SGD2.34 for the year 2018. During the year 2019, the directors of UOB recommend the payment of a final tax-exempt dividend of SGD 55 cents and a special tax-exempt dividend of SGD20 cents (2018: final dividend of SGD50 cents and special dividend of SGD20 cents) per ordinary share for the financial year ended 31 December 2019. The final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting of UOB scheduled for 30 April 2020. Together with the interim tax-exempt dividend of SGD55 cents per ordinary share (2018: SGD50 cents) paid in August 2019, the total net dividends for the financial year ended 31 December 2019 will be SGD1.30 (2018: SGD1.20) per ordinary share of UOB. We consider the future earnings growth prospect of UOB is positive and such investment provided satisfactory dividend return to the Group.

Save as disclosed above, the Group also invested in other equity securities and debt securities. The fair value of each of these equity securities and debt securities represented less than 5% of the total assets and net assets of the Group as at 31 December 2019. The principal activities of these companies include mainly banking groups that provide money lending and financial services; securities trading and investment; property development and investment; shipping and transportation, provision of value-added services and online advertising services to users in the PRC.

ACQUISITION OF INVESTMENT PROPERTIES

The Group did not hold any material investment properties that accounted for more than 5% of the Group's total assets and net assets as at 31 December 2019.

As at 31 December 2019, the Group's investment properties were stated at fair value of HK$418 million 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 and located in Hong Kong. As at 31 December 2019, the fair value of each of these investment properties represented less than 5% of the total assets and net assets of the Group. During the year 2019, the Group recognized gross rental income from operating leases on all investment properties of HK$6,524,000 and recognized loss on fair value of investment properties amounting to HK$15,699,000 as at 31 December 2019.

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 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. 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 and the total costs of investment properties capitalized upon the completion of acquisition were HK$6,746,000.

Save as disclosed above, the Group did not carry out any material acquisition and disposal of investment properties during the year 2019.

ACQUISITION OF VESSELS

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 (approximately HK$93,600,000). 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 (approximately HK$4,875,000) lodged with the escrow agent had been refunded to the Group in accordance with the terms of the second agreement.

Save as disclosed above, the Group did not hold any significant investment or investment properties that accounted for more than 5% of the Group's total assets and net assets as at 31 December 2019, nor did the Group carry out any material acquisition and disposal during the year 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 67 (2018: 67) full-time employees. The Group remunerates its employees 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. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

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 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 30th January 2020. As of today, people across the globe have heightened their concern and business activity further declined across all industries.

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.

By Order of the Board

Ng Siu Fai
Chairman

Hong Kong, 17 March 2020

CORPORATE GOVERNANCE

COMPLIANCE OF THE CODE PROVISIONS

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2019, with deviations as explained in following sections.

CG Code provision A.2.1

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas are brothers who act as the Chairman and the Managing Director of the Company respectively. Mr. Ng Siu Fai, in addition to his duties as the Chairman, is also responsible for the strategic planning and overseeing all aspects of the Group's operations. This constitutes deviation from code provision A.2.1 of the CG Code as part of his duties overlap with those of the Managing Director, who is in practice the chief executive.

As one of the founders of the Group, Mr. Ng Siu Fai has extensive experience and knowledge in the core businesses of the Group and his duty for overseeing all aspects of the Group's operations is clearly beneficial to the Group. The Board also considers that this will not impair the balance of power and authority between the Board and the management of the Company as one-third of the Board members are represented by the independent non-executive directors and the Board will meet regularly to consider major matters affecting the operations of the Group and all directors of the Company (the "Directors") are properly briefed on the matters arising at the Board meetings with adequate, complete and reliable information received in a timely manner. The current structure also allows flexibility and enhances the efficiency of decision making process in response to the constantly changing competitive environment.

As the Chairman's major responsibility is to manage the Board whereas the Managing Director's major responsibility is to manage the Group's businesses, the Board considers that the responsibilities of the Chairman and the Managing Director are clear and distinctive and hence written terms thereof are not necessary. Although the respective responsibilities of the Chairman and the Managing Director are not set out in writing, power and authority are not concentrated in any one individual and all major decisions are made in consultation with members of the Board and appropriate board committees, as well as senior management.

Going forward, the Board will periodically review the effectiveness of this arrangement, the board composition as well as division of responsibilities to enhance best interests of the Company and its shareholders as a whole.

CORPORATE GOVERNANCE

CG Code provision A.4.2

Under code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Articles of Association of the Company, all Directors other than the Chairman and the Managing Director shall be subject to retirement by rotation at least once every three years and any new directors appointed to fill casual vacancies or as an addition to the Board shall be subject to election by shareholders at the annual general meeting after their appointments.

As the Chairman and the Managing Director are not subject to retirement by rotation in accordance with the Articles of Association of the Company, this constitutes deviation from code provision A.4.2 of the CG Code. The Board is of the view that the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability, and there should be planned and orderly succession for these offices. Since continuation is a key factor to the successful implementation of the Company's business plans and strategies, any Director holding the office as the Chairman or the Managing Director should therefore be exempted from the retirement by rotation and re-election at the Company's annual general meeting and the Board believes this arrangement is most beneficial to the Company and its shareholders.

CG Code provision C.2.5

Under code provision C.2.5 of the CG Code, the Group should have an internal audit function. 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 for reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out therein throughout the year ended 31 December 2019.

CORPORATE GOVERNANCE

SCOPE OF WORK OF THE AUDITOR

The figures in the results announcement of the Group for the year ended 31 December 2019 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "Auditor"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the results announcement.

AUDIT COMMITTEE

The Audit Committee comprises of three independent non-executive directors. 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 interim and annual reports before submission to the Board. The Group's 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.

SUPPLEMENTARY INFORMATION

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.

ANNUAL GENERAL MEETING AND BOOK CLOSURE

The Annual General Meeting of the Company will be held on Friday, 22 May 2020. Notice of the Annual General Meeting will be published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.jinhuiship.com, and will be despatched to shareholders of the Company in due course.

The register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 18 May 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019**	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**492,645**	593,680
Net gain on disposal of owned vessels		**704**	42,407
Other operating income	*3*	**66,845**	72,331
Interest income	*4*	**29,707**	10,966
Shipping related expenses		**(254,938)**	(295,439)
Staff costs		**(98,856)**	(90,259)
Other operating expenses	*5*	**(61,956)**	(87,067)
Operating profit before depreciation and amortization	*6*	**174,151**	246,619
Depreciation and amortization		**(123,483)**	(141,006)
Operating profit		**50,668**	105,613
Finance costs		**(38,583)**	(27,275)
Profit before taxation		**12,085**	78,338
Taxation	*7*	**-**	-
Net profit for the year		**12,085**	78,338
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)		**(5,332)**	(2,298)
Change in fair value arisen from reclassification from leasehold land and buildings to investment properties		**3,712**	-
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through OCI (recycling)		**(5,995)**	1,408
Total comprehensive income for the year		**4,470**	77,448

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Net profit (loss) for the year attributable to:			
Shareholders of the Company		**(3,450)**	48,223
Non-controlling interests		**15,535**	30,115
		12,085	78,338
Total comprehensive income (loss) for the year attributable to:			
Shareholders of the Company		**(10,261)**	48,303
Non-controlling interests		**14,731**	29,145
		4,470	77,448
Earnings (Loss) per share	*8*		
Basic and diluted		**HK$(0.007)**	HK$0.091

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019	2018
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,630,272**	1,728,757
Investment properties	*10*	**418,100**	386,610
Financial assets at fair value through OCI	*11*	**73,900**	64,343
Loan receivables	*12*	**312,347**	-
Intangible assets		**977**	1,022
		2,435,596	2,180,732
Current assets			
Inventories		**12,580**	2,735
Loan receivables	*12*	**38,153**	-
Trade and other receivables	*13*	**84,041**	114,463
Financial assets at fair value through profit or loss	*14*	**510,605**	323,606
Pledged deposits		**65,810**	26,722
Bank balances and cash		**297,703**	393,271
Assets held for sale		**-**	52,749
		1,008,892	913,546
Current liabilities			
Trade and other payables	*15*	**153,891**	158,185
Secured bank loans	*16*	**643,015**	275,529
		796,906	433,714
Net current assets		**211,986**	479,832
Total assets less current liabilities		**2,647,582**	2,660,564
Non-current liabilities			
Secured bank loans	*16*	**545,178**	553,944
Net assets		**2,102,404**	2,106,620

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	**381,639**	381,639
Reserves	**834,001**	844,262
	1,215,640	1,225,901
Non-controlling interests	**886,764**	880,719
Total equity	**2,102,404**	2,106,620

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to shareholders of the Company						
	Issued capital *HK$'000*	Other asset revaluation reserve *HK$'000*	Reserve for financial assets at fair value through OCI *HK$'000*	Retained Profits *HK$'000*	Subtotal *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2018	381,639	1,739	17,253	776,967	1,177,598	860,260	2,037,858
Comprehensive income							
Net profit for the year	-	-	-	48,223	48,223	30,115	78,338
Other comprehensive income (loss)							
Change in fair value of financial assets at fair value through OCI	-	-	80	-	80	(970)	(890)
Total comprehensive income for the year	-	-	80	48,223	48,303	29,145	77,448
Interim dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	(8,686)	(8,686)
At 31 December 2018	381,639	1,739	17,333	825,190	1,225,901	880,719	2,106,620
At 1 January 2019	381,639	1,739	17,333	825,190	1,225,901	880,719	2,106,620
Comprehensive income							
Net profit (loss) for the year	-	-	-	(3,450)	(3,450)	15,535	12,085
Other comprehensive income (loss)							
Change in fair value of financial assets at fair value through OCI	-	-	(8,878)	-	(8,878)	(2,449)	(11,327)
Change in fair value arisen from reclassification from leasehold land and buildings to investment properties	-	2,067	-	-	2,067	1,645	3,712
Total comprehensive income for the year	-	2,067	(8,878)	(3,450)	(10,261)	14,731	4,470
Final dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	(8,686)	(8,686)
At 31 December 2019	**381,639**	**3,806**	**8,455**	**821,740**	**1,215,640**	**886,764**	**2,102,404**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 ***HK$'000***	2018 *HK$'000*
OPERATING ACTIVITIES		
Cash generated from operations before changes in working capital	**140,861**	163,343
Increase in working capital	**(449,170)**	(120,030)
Cash generated from (used in) operations	**(308,309)**	43,313
Interest paid	**(38,813)**	(26,105)
Net cash from (used in) operating activities	**(347,122)**	17,208
INVESTING ACTIVITIES		
Interest received	**22,129**	12,569
Decrease in bank deposits with more than three months to maturity when placed	**-**	104,520
Dividend income received	**14,964**	5,861
Purchase of property, plant and equipment	**(69,751)**	(41,873)
Purchase of investment properties	**(40,519)**	(191,724)
Payment of unlisted equity investments	**(20,884)**	(37,802)
Proceeds from disposal of property, plant and equipment, net	**11,344**	-
Proceeds from disposal of assets held for sale, net	**23,325**	250,176
Net cash from (used in) investing activities	**(59,392)**	101,727
FINANCING ACTIVITIES		
New secured bank loans	**642,063**	458,000
Repayment of secured bank loans	**(283,343)**	(705,561)
Decrease (Increase) in pledged deposits	**(39,088)**	24,142
Dividends paid to non-controlling interests by subsidiaries	**(8,686)**	(8,686)
Net cash from (used in) financing activities	**310,946**	(232,105)
Net decrease in cash and cash equivalents	**(95,568)**	(113,170)
Cash and cash equivalents at 1 January	**393,271**	506,441
Cash and cash equivalents at 31 December	**297,703**	393,271

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The financial information relating to the years ended 31 December 2019 and 2018 included in this announcement of 2019 annual results do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2019 in due course.

- The Company's auditor has reported on the financial statements of the Group for both years. The independent auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, these consolidated financial statements included applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

The accounting policies and basis of preparation adopted in these financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2018, except for the Group has adopted the newly issued and amended Hong Kong Financial Reporting Standards ("HKFRS"), which are effective for the annual period beginning on 1 January 2019.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 "Leases" along with three Interpretations (HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC) – Int 15 "Operating Leases – Incentives" 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 HKFRS 16 requires 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, HKFRS 16 substantially carry forward the lessor accounting requirements in 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 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.

Other than the adoption of HKFRS 16 as stated above, the adoption of other new and amended HKFRSs does not have material impact on the Group's financial performance and financial position.

2. Revenue

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

	2019	2018
	HK$'000	*HK$'000*
Chartering hire income:		
Hire income under time charters [1]	**492,645**	593,680

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.

NOTES TO THE FINANCIAL STATEMENTS

3. Other operating income

	2019	2018
	HK$'000	*HK$'000*
Net gain on financial assets at fair value through profit or loss	**15,476**	-
Other shipping operating income	**18,152**	19,991
Gross rental income from operating leases on investment properties	**6,524**	4,259
Dividend income	**15,488**	6,073
Settlement income in relation to repudiation claims	**4,789**	3,512
Net gain on disposal of assets held for sale	**4,746**	-
Net gain on bunker arising from shipping operations	**-**	14,145
Change in fair value of investment properties	**-**	23,836
Reversal of impairment loss on trade and other receivables, net	**16**	282
Sundry income	**1,654**	233
	66,845	72,331

4. Interest income

	2019	2018
	HK$'000	*HK$'000*
Interest income in respect of:		
Financial assets at fair value through profit or loss	**17,882**	3,463
Deposits with banks and other financial institutions	**4,797**	5,883
Interest-bearing note and loan receivables	**7,028**	1,620
	29,707	10,966

5. Other operating expenses

During the year 2019, other operating expenses mainly comprised of HK$15.7 million of revaluation deficit arisen from investment properties, professional fee of approximately HK$9 million, directors' fee of approximately HK$6.7 million, auditor's remuneration of approximately HK$1.7 million, bad debts written off in respect of trade receivables of approximately HK$1.7 million and remaining are various office administrative expenses.

During the year 2018, other operating expenses mainly comprised of net loss on financial assets at fair value through profit or loss of HK$32.9 million, professional fee of approximately HK$16.6 million, directors' fee of approximately HK$6.7 million, auditor's remuneration of approximately HK$1.7 million, bad debts written off in respect of trade receivables of approximately HK$0.3 million and remaining are various office administrative expenses.

6. Operating profit before depreciation and amortization

This is stated after charging / (crediting):

	2019	2018
	HK$'000	*HK$'000*
Realized gain on financial assets		
at fair value through profit or loss	**(7,507)**	(2,534)
Unrealized loss (gain) on financial assets		
at fair value through profit or loss	**(7,969)**	35,400
Net loss (gain) on financial assets		
at fair value through profit or loss	**(15,476)**	32,866
Reversal of impairment loss on trade and other receivables, net	**(16)**	(282)
Change in fair value of investment properties	**15,699**	(23,836)
Net gain on disposal of property, plant and equipment	**(704)**	(42,407)
Net gain on disposal of assets held for sale	**(4,746)**	-
Dividend income	**(15,488)**	(6,073)
Bad debts written off in respect of trade receivables	**1,672**	288

7. Taxation

Hong Kong Profits Tax has not been provided as the Group has no assessable profits for the years. In the opinion of the Directors, a substantial portion of the Group's income neither arose in nor was derived from Hong Kong and therefore was not subject to Hong Kong Profits Tax. The Group is not subject to taxation in any other jurisdictions in which the Group operates.

8. Earnings (Loss) per share

Basic and diluted earnings (loss) per share were calculated on the net loss attributable to shareholders of the Company of HK$3,450,000 for the year 2019 (2018: net profit of HK$48,223,000) and the weighted average number of 530,289,480 (2018: 530,289,480) ordinary shares in issue during the year.

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

9. Dividend

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2019 (2018: nil).

10. Investment properties

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**386,610**	171,050
Additions	**40,519**	191,724
Reclassification from leasehold land and buildings	**6,670**	-
Change in fair value	**(15,699)**	23,836
	418,100	386,610

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 and located in Hong Kong.

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 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.

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 and the total costs of investment properties capitalized upon the completion of acquisition were HK$6,746,000.

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 HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the year.

11. Financial assets at fair value through OCI

	2019	2018
	HK$'000	*HK$'000*
Unlisted equity investments		
Co-investment in a property project		
At 1 January	**35,504**	-
Additions	**20,884**	37,802
Change in fair value [1]	**(5,332)**	(2,298)
	51,056	35,504
Unlisted club debentures		
At 1 January	**25,800**	24,500
Change in fair value [2]	**(5,800)**	1,300
	20,000	25,800
Unlisted club membership		
At 1 January	**3,039**	2,931
Change in fair value [2]	**(195)**	108
	2,844	3,039
	73,900	64,343

Notes:

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

Pursuant to the co-investment documents, an approximately 55.69% indirectly 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 (approximately HK$78,000,000). During the year 2019, the Co-Investor paid US$2,678,000, approximately HK$20,884,000 (2018: US$4,827,000, approximately HK$37,652,000) in accordance with the terms and conditions of the co-investment documents and interest of US$19,000 (approximately HK$150,000) 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 HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the year.

Unlisted club debentures and unlisted club membership stated at fair value represented investments in club debentures and club membership which their fair values can be determined directly by reference to published price quotations in active markets and were categorized as Level 1 of the three-level fair value hierarchy as defined under HKFRS 13. There was no transfer among the three levels of the fair value hierarchy during the year.

12. Loan receivables

	2019	2018
	HK$'000	*HK$'000*
Gross new loan originated	**361,770**	-
Repayment	**(11,270)**	-
Provision of individual impairment	**-**	-
Loan receivables, net of provision	**350,500**	-
Less: Amount receivable within one year	**(38,153)**	-
Amount receivable after one year	**312,347**	-

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

	2019	2018
	HK$'000	*HK$'000*
Within one year	**38,153**	-
In the second year	**40,578**	-
In the third to fifth year	**271,769**	-
	350,500	-

During the year, the Group entered into two agreements to dispose two vessels to two purchasers with the payment terms of the balance of approximately US$4.4 million (approximately HK$34.2 million) and US$4 million (approximately HK$31.2 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 (approximately HK$296.4 million) which are repayable in three years to five years with interest ranged from 8% to 10%. The directors considered the respective six borrowers (Bao Rich Shipping Co., Ltd, Bao Winning Shipping Co., Ltd, Yuanfeng Shipping Co., Ltd, Bao Yuan Shipping Co., Ltd, Golden Alpha Shipping Co., Ltd, Bao Progress Shipping Co., Ltd) are associated with each other as their ultimate beneficial owners are relatives. As at 31 December 2019, the aggregate outstanding loan receivables from these six borrowers were approximately US$37.7 million (approximately HK$293.7 million). The loans are collateralized and the value of the collateral ships were approximately US$61.4 million (approximately HK$478.9 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% 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.

13. Trade and other receivables

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**12,937**	11,000
Prepayments, deposits and other receivables	**71,104**	103,463
	84,041	114,463

The aging analysis of trade receivables (net of impairment loss) based on payment due dates is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**10,114**	2,495
Over 3 months but within 6 months	**-**	1,138
Over 6 months but within 12 months	**-**	854
Over 12 months	**2,823**	6,513
	12,937	11,000

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 HK$27,000,000. This receivable had 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.

NOTES TO THE FINANCIAL STATEMENTS

14. Financial assets at fair value through profit or loss

	2019	2018
	HK$'000	*HK$'000*
Held for trading		
Equity securities		
Listed in Hong Kong	**191,176**	173,232
Listed outside Hong Kong	**143,657**	112,035
	334,833	285,267
Debt securities		
Listed in Hong Kong	**71,510**	22,682
Listed outside Hong Kong	**104,262**	11,286
	175,772	33,968
Designated as such upon initial recognition:		
Equity linked notes	**-**	4,371
	510,605	323,606

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 HKFRS 13. There was no transfer among the three levels of the fair value hierarchy during the year.

15. Trade and other payables

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**2,844**	2,438
Accrued charges	**7,223**	10,706
Other payables		
Payables related to vessel running cost and ship operating expenses	**131,122**	126,999
Hire receipt in advance	**3,369**	6,846
Loan interest payables	**2,775**	3,005
Accrued employee benefits	**4,343**	7,606
Others	**2,215**	585
	143,824	145,041
	153,891	158,185

The aging analysis of trade payables based on payment due dates is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**1,023**	-
Over 6 months but within 12 months	**-**	140
Over 12 months	**1,821**	2,298
	2,844	2,438

16. Secured bank loans

	2019	2018
	HK$'000	*HK$'000*
Vessel mortgage loans	**488,497**	567,138
Other bank loans	**699,696**	262,335
Less: Amount repayable within one year	**(643,015)**	(275,529)
Amount repayable after one year	**545,178**	553,944

During the year, the Group had drawn new revolving loans and term loan of HK$642,063,000 (2018: HK$458,000,000).

At the reporting date, vessel mortgage loans were denominated in United States Dollars, and other bank loans were denominated in Hong Kong Dollars and United States Dollars. All secured bank loans were committed on floating rate basis.

17. Capital expenditures and commitments

During the year, capital expenditure on additions of owned vessels was HK$68,097,000 (2018: HK$40,641,000), on other property, plant and equipment was HK$1,654,000 (2018: HK$1,232,000) and on investment properties was HK$40,519,000 (2018: HK$191,724,000).

On 20 April 2018, an approximately 55.69% indirectly 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 the holding company of the co-investment vehicle of US$10,000,000 (approximately HK$78,000,000). During the year, the Co-Investor paid US$2,678,000, approximately HK$20,884,000 (2018: US$4,827,000, approximately HK$37,652,000) 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, approximately HK$19,464,000 (2018: US$5,173,000, approximately HK$40,347,000).

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. 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. As at 31 December 2018, the capital expenditure commitments contracted by the Group but not provided for was HK$26,344,000.

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 HK$19,464,000 (2018: HK$66,691,000).

18. Related party transactions

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

	2019	2018
	HK$'000	*HK$'000*
Salaries and other benefits	69,051	62,137
Contributions to retirement benefits schemes	3,543	2,895
	72,594	65,032

Other payables included accrued employee benefits payables to directors and senior management of HK$2,952,000 (2018: HK$6,235,000). There is no other balance or transaction related to connected party or any director and senior management and substantial shareholder of the Group that had not been disclosed under the requirement of Chapter 14 and 14A of the Listing Rules and HKAS 24 (Revised) "Related Party Transaction".

19. Events after reporting date

Co-Investment

In relation to the Co-Investment in a property project in T3 Property as mentioned in note 11, 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 (approximately HK$33,360,000) 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 (approximately HK$33,360,000) 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 (approximately HK$33,360,000) as Co-Investment Supplemental Capital Call in early February 2020.

NOTES TO THE FINANCIAL STATEMENTS

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.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Company for the year ended 31 December 2019 containing all the detailed information will be despatched to shareholders of the Company and available on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.jinhuiship.com in due course.

As at date of this announcement, the Executive Directors of the Company are Ng Siu Fai, Ng Kam Wah Thomas, Ng Ki Hung Frankie and Ho Suk Lin; and the Independent Non-executive Directors of the Company are Cui Jianhua, Tsui Che Yin Frank and William Yau.