JINHUI

JINHUI SHIPPING AND TRANSPORTATION LIMITED

Fourth Quarter Report for the Quarter Ended 31 December 2019 and Preliminary Annual Results for the Year Ended 31 December 2019

HIGHLIGHTS

For the Year Ended 31 December 2019

- Revenue for the year: US$63 million
- Net profit for the year: US$4 million
- Basic earnings per share: US$0.041
- Gearing ratio as at 31 December 2019: 14%

For the Fourth Quarter of 2019

- Revenue for the quarter: US$20 million
- Net profit for the quarter: US$6 million
- Basic earnings per share: US$0.052

The Board of **Jinhui Shipping and Transportation Limited** (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the quarter and year ended 31 December 2019.

FOURTH QUARTER AND ANNUAL RESULTS

Revenue for the fourth quarter of 2019 increased 12% to US$19,790,000, comparing to US$17,716,000 for the corresponding quarter in 2018. The Company recorded a consolidated net profit of US$5,649,000 for current quarter as compared to a consolidated net loss of US$3,076,000 for the corresponding quarter in 2018. Basic earnings per share was US$0.052 for the fourth quarter of 2019 while basic loss per share was US$0.028 for the corresponding quarter in 2018.

Revenue for the year 2019 decreased 17% to US$63,160,000, comparing to US$76,113,000 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 including the net gain on disposal of owned vessels of US$5,437,000. 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 entered into two agreements to dispose 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 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.

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.

REVIEW OF OPERATIONS

Fourth Quarter of 2019. The dry bulk shipping market remained challenging in the fourth quarter. At the beginning of the quarter, market freight rates were supported by minor bulks trade and continued Chinese iron ore imports, Baltic Dry Index (“BDI”) opened at 1,823 points at the beginning of October and continued to climb to the peak of the quarter at 1,929 points and softened in December and closed at 1,090 points by the end of December. The average of BDI of the fourth quarter of 2019 was 1,562 points, which compares to 1,363 points in the same quarter in 2018.

Revenue for the fourth quarter of 2019 was US$19,790,000 representing an increase of 12% as compared to US$17,716,000 for the same quarter in 2018. The increase in revenue for the quarter was mainly due to the increase in market freight rates in the fourth quarter and the average daily time charter equivalent rates ("TCE") earned by the Group's owned vessels increased to US$11,419 for the fourth quarter of 2019 as compared to US$9,815 for the corresponding quarter in 2018.

Average daily TCE of owned vessels	**2019 Q4 *US$***	2018 Q4 *US$*	**2019 *US$***	2018 *US$*
Post-Panamax fleet	**12,122**	12,072	**9,628**	11,689
Supramax fleet	**11,336**	9,559	**9,522**	9,743
In average	**11,419**	9,815	**9,533**	9,922

During the fourth quarter of 2019, the Group further entered into four facility agreements, pursuant to which the Group agreed to provide four loans of US$7 million each which are repayable in five years to four borrowers respectively. The loans are cross-collateralized and the value of the collateral ships were approximately US$43.7 million which were appraised by independent qualified appraisal firms.

Shipping related expenses slightly dropped from US$9,622,000 for the fourth quarter of 2018 to US$9,400,000 for the current quarter. Daily vessel running cost slightly decreased from US$4,537 for the fourth quarter of 2018 to US$4,467 for the fourth quarter of 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 decreased from US$5,023,000 for the fourth quarter of 2018 to US$1,611,000 for the current quarter due to the Group recorded net loss of US$3,265,000 on financial assets at fair value through profit or loss for the fourth quarter of 2018 as compared to net gain of US$2,896,000 which was included in other operating income for the corresponding quarter in 2019.

Despite the Group recorded net gain of US$2,896,000 on financial assets at fair value through profit or loss for the fourth quarter of 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 increased from US$822,000 for the fourth quarter of 2018 to US$1,115,000 for the fourth quarter of 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 corresponding quarter in 2018.

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. 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.

Revenue for the year 2019 decreased 17% to US$63,160,000, comparing to US$76,113,000 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 including the net gain on disposal of owned vessels of US$5,437,000. The average daily TCE 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. 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 increased from US$6,182,000 for the year 2018 to US$7,855,000 for the year 2019 due to increased dividend income and settlement income from a charterer in relation to repudiation claims. Other operating income for the year 2019 also included a net gain of US$1,498,000 on financial assets at fair value through profit or loss whereas net loss of US$3,920,000 on financial assets at fair value through profit or loss was recognized in 2018 and was included in other operating expenses.

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.

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.

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 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 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.

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 reduced 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.

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

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 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 17 of the preliminary 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).

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.

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. 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.

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 after working capital changes was US$44,098,000 (2018: net cash from operating activities after working capital changes 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 loan receivables in respect of the six facility agreements. 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) and the aggregate interest income and dividend income from financial assets was US$5,623,000 (2018: US$1,977,000). During the year, the Group had drawn new revolving loans and term loan of US$79,752,000 (2018: US$41,384,000) and repaid US$36,020,000 (2018: US$89,026,000) for the year. The increase in bank borrowings are for working capital purpose and capital management purpose.

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).

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.

FLEET

Owned Vessels

As at 31 December 2019 and 27 February 2020, 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, 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. 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 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, 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.

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. 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.

By Order of the Board

Ng Siu Fai
Chairman

28 February 2020

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

	Note	**3 months ended 31/12/2019 (Unaudited) US$'000**	3 months ended 31/12/2018 (Unaudited) US$'000	**Year ended 31/12/2019 (Unaudited) US$'000**	Year ended 31/12/2018 (Audited) US$'000
Revenue	2	**19,790**	17,716	**63,160**	76,113
Net gain on disposal of owned vessels		**90**	425	**90**	5,437
Other operating income	3	**4,046**	1,601	**7,855**	6,182
Interest income	4	**1,232**	316	**3,694**	1,230
Shipping related expenses		**(9,400)**	(9,622)	**(32,684)**	(37,877)
Staff costs		**(3,579)**	(3,572)	**(12,339)**	(11,237)
Other operating expenses		**(1,611)**	(5,023)	**(5,596)**	(10,381)
Operating profit before depreciation and amortization		**10,568**	1,841	**24,180**	29,467
Depreciation and amortization		**(3,804)**	(4,095)	**(15,362)**	(17,593)
Operating profit (loss)		**6,764**	(2,254)	**8,818**	11,874
Finance costs		**(1,115)**	(822)	**(4,323)**	(3,161)
Profit (Loss) before taxation		**5,649**	(3,076)	**4,495**	8,713
Taxation	7	**-**	-	**-**	-
Net profit (loss) for the period / year		**5,649**	(3,076)	**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)		**(412)**	(118)	**(684)**	(295)
Change in fair value arisen from reclassification from leasehold land and buildings to investment properties		**476**	-	**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)**	34	**(25)**	14
Total comprehensive income (loss) for the period / year attributable to shareholders of the Company		**5,688**	(3,160)	**4,262**	8,432
Earnings (Loss) per share	8				
- Basic and diluted		**US$0.052**	US$(0.028)	**US$0.041**	US$0.080

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PRELIMINARY)

	Note	**31/12/2019 (Unaudited) *US$'000***	31/12/2018 (Audited) *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**206,021**	218,184
Investment properties	*10*	**30,138**	24,333
Financial assets at fair value through OCI	*11*	**6,910**	4,941
Loan receivables	*12*	**40,044**	-
		283,113	247,458
Current assets			
Inventories		**1,613**	350
Loan receivables	*12*	**4,891**	-
Trade and other receivables		**10,717**	14,529
Financial assets at fair value through profit or loss	*13*	**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
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		**5,463**	5,463
Reserves		**247,239**	245,490
Total equity		**252,702**	250,953
Non-current liabilities			
Secured bank loans	*14*	**64,869**	65,677
Current liabilities			
Trade and other payables		**19,689**	20,411
Amount due to holding company		**127**	90
Secured bank loans	*14*	**69,046**	24,506
		88,862	45,007
Total equity and liabilities		**406,433**	361,637

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PRELIMINARY)

	Issued capital	Share premium	Capital redemption reserve	Contributed surplus	Revaluation Reserve	Reserve for financial assets at fair value through OCI	Retained profits	Total equity
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2018 (adjusted)	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
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 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**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (PRELIMINARY)

	Year ended 31/12/2019 (Unaudited)	Year ended 31/12/2018 (Audited)
	US$'000	*US$'000*
OPERATING ACTIVITIES		
Cash generated from operations before changes in working capital	**18,316**	22,127
Increase in working capital	**(58,067)**	(16,305)
Cash generated from (used in) operations	**(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

NOTES (PRELIMINARY):

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and have not been reviewed by our auditor, Grant Thornton Hong Kong Limited. The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2018, except for the Group has adopted the newly issued and amended International Financial Reporting Standards (“IFRS”) and Hong Kong Financial Reporting Standards (“HKFRS”), which are effective for the annual period beginning on 1 January 2019.

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 period 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 period and therefore the comparative information for 2018 has not been restated.

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

2. Revenue

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

	3 months ended 31/12/2019	3 months ended 31/12/2018	**Year ended 31/12/2019**	Year ended 31/12/2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
Chartering hire income:				
Hire income under time charters[1]	**19,790**	17,716	**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.

3. Other operating income

	3 months ended 31/12/2019	3 months ended 31/12/2018	**Year ended 31/12/2019**	Year ended 31/12/2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
Net gain on financial assets at fair value through profit or loss	**2,896**	-	**1,498**	-
Other shipping operating income	**694**	768	**2,327**	2,564
Gross rental income from operating leases on investment properties	**148**	73	**435**	282
Dividend income	**107**	28	**1,929**	747
Settlement income in relation to repudiation claims	**-**	-	**614**	450
Net gain on disposal of assets held for sale	**-**	-	**608**	-
Net gain on bunker arising from shipping operations	**-**	654	**-**	1,813
Sundry income	**201**	78	**444**	326
	4,046	1,601	**7,855**	6,182

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4. Interest income

	3 months ended 31/12/2019	3 months ended 31/12/2018	**Year ended 31/12/2019**	Year ended 31/12/2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
Interest income in respect of:				
Financial assets at fair value through profit or loss	**474**	53	**2,179**	269
Deposits with banks and other financial institutions	**81**	211	**613**	754
Interest-bearing note and loan receivables	**677**	52	**902**	207
	1,232	316	**3,694**	1,230

5. 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, change in fair value of investment properties of US$245,000 and bad debts written off of US$214,000.

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 and directors' fee of US$777,000.

6. Operating profit before depreciation and amortization

This is stated after charging / (crediting):

	3 months ended 31/12/2019	3 months ended 31/12/2018	**Year ended 31/12/2019**	Year ended 31/12/2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
Realized loss (gain) on financial assets at fair value through profit or loss	**(310)**	414	**(568)**	(383)
Unrealized loss (gain) on financial assets at fair value through profit or loss	**(2,586)**	2,851	**(930)**	4,303
Net loss (gain) on financial assets at fair value through profit or loss	**(2,896)**	3,265	**(1,498)**	3,920
Reversal of impairment loss on trade and other receivables	**-**	(4)	**(2)**	(36)

7. Taxation

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

8. Earnings (Loss) per share

	3 months ended 31/12/2019 (Unaudited)	3 months ended 31/12/2018 (Unaudited)	**Year ended 31/12/2019 (Unaudited)**	Year ended 31/12/2018 (Audited)
Weighted average number of ordinary shares in issue	**109,258,943**	109,258,943	**109,258,943**	109,258,943
Net profit (loss) attributable to shareholders of the Company (US$'000)	**5,649**	(3,076)	**4,495**	8,713
Basic and diluted earnings (loss) per share	**US$0.052**	US$(0.028)	**US$0.041**	US$0.080

Diluted earnings (loss) per share were the same as basic earnings (loss) per share as there was no potentially dilutive ordinary shares in existence for the relevant periods / years presented.

9. Dividends

	3 months ended 31/12/2019 (Unaudited)	3 months ended 31/12/2018 (Unaudited)	**Year ended 31/12/2019 (Unaudited)**	Year ended 31/12/2018 (Audited)
	US$'000	*US$'000*	***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	**-**	2,513
	-	2,513	**-**	5,026

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

10. Investment properties

	31/12/2019	31/12/2018
	(Unaudited)	(Audited)
	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)
	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 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 US$865,000.

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

11. Financial assets at fair value through OCI

	31/12/2019 (Unaudited) *US$'000*	31/12/2018 (Audited) *US$'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.

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 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.

12. **Loan receivables**

	31/12/2019	31/12/2018
	(Unaudited)	(Audited)
	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**	-

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 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 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% 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. Financial assets at fair value through profit or loss

	31/12/2019	31/12/2018
	(Unaudited)	(Audited)
	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.

14. Secured bank loans

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

	31/12/2019	31/12/2018
	(Unaudited)	(Audited)
	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) and repaid US$36,020,000 (2018: US$89,026,000) for the year. The increase in bank borrowings are for working capital purpose and capital management purpose.

15. 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 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).

16. Related party transactions

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

	3 months ended 31/12/2019	3 months ended 31/12/2018	**Year ended 31/12/2019**	Year ended 31/12/2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
Salaries and other benefits	**2,295**	2,376	**8,127**	7,246
Contributions to retirement benefits schemes	**111**	90	**443**	360
	2,406	2,466	**8,570**	7,606

17. 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 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.

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. 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.

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