JINHUI

# JINHUI SHIPPING
# AND TRANSPORTATION LIMITED

## Third Quarter and
## Nine Months Report
## 2020

# HIGHLIGHTS

## For the Nine Months Ended 30 September 2020

- Revenue for the period: US$32 million
- Net loss for the period: US$23 million
- Basic loss per share: US$0.209
- Gearing ratio as at 30 September 2020: 20%

## For the Third Quarter of 2020

- Revenue for the quarter: US$14 million
- Net profit for the quarter: US$0.9 million
- Basic earnings per share: US$0.008

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 nine months ended 30 September 2020.

## THIRD QUARTER AND NINE-MONTH RESULTS

Revenue for the third quarter of 2020 decreased 14% to US$14,257,000, comparing to US$16,586,000 for the corresponding quarter in 2019. The Company recorded a consolidated net profit of US$854,000 for current quarter as compared to a consolidated net loss of US$1,972,000 for the corresponding quarter in 2019 due to the decrease in net loss on financial assets at fair value through profit or loss from US$3,976,000 for the third quarter of 2019 to US$1,681,000 for the third quarter of 2020. Basic earnings per share was US$0.008 for the third quarter of 2020 while basic loss per share was US$0.018 for the corresponding quarter in 2019.

Revenue for the first nine months of 2020 decreased 26% to US$31,981,000, comparing to US$43,370,000 for the same period in 2019. The Company recorded a consolidated net loss of US$22,802,000 for the first nine months of 2020 while a consolidated net loss of US$1,154,000 was reported in the first nine months of 2019. The consolidated net loss for the period was mainly attributable to the poor business sentiment as affected by the outbreak of the Coronavirus Disease 2019 ("COVID-19") pandemic leading to a reduction in chartering freight and hire revenue and the significant unrealized fair value loss on financial assets at fair value through profit or loss amid the COVID-19 pandemic that triggered an adverse global financial markets sell off in early 2020. Basic loss per share for the period was US$0.209 as compared to basic loss per share of US$0.011 for the first nine months of 2019.

## INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 30 September 2020.

## REVIEW OF OPERATIONS

***Third Quarter of 2020.*** In the third quarter of 2020, the dry bulk freight market has gained some positive momentums with increasing demand and limited supply of vessels due to increasing scrapping of vessels under the new IMO 2020 regulations. Market freight rates have been recovered from the low level as seen in the beginning of the year. Baltic Dry Index ("BDI") opened at 1,799 points at the beginning of July and continued to the peak of the quarter at 1,956 points and closed at 1,725 points by the end of September 2020. The average of BDI of the third quarter of 2020 was 1,522 points, which compares to 2,030 points in the same quarter in 2019.

Revenue for the third quarter of 2020 was US$14,257,000 representing a decrease of 14% as compared to US$16,586,000 for the same quarter in 2019. The decrease in revenue for the quarter was mainly due to the decrease in market freight rates in the third quarter. The average daily time charter equivalent rates ("TCE") earned by the Group's owned vessels decrease 13% to US$8,713 for the third quarter of 2020 as compared to US$10,016 for the corresponding quarter in 2019. Fleet utilization rate of the Group's owned vessels remained at 99% for both third quarter of 2020 and 2019.

| **Average daily TCE of owned vessels** | **2020 Q3** *US$* | 2019 Q3 *US$* | **2020 1st nine months** *US$* | 2019 1st nine months *US$* | 2019 *US$* |
|---|---|---|---|---|---|
| Post-Panamax fleet | **11,805** | 11,304 | **9,050** | 8,778 | 9,628 |
| Supramax fleet | **8,386** | 9,855 | **6,248** | 8,876 | 9,522 |
| In average | **8,713** | 10,016 | **6,499** | 8,865 | 9,533 |

Other operating income increased from US$1,775,000 for the third quarter of 2019 to US$2,089,000 for the third quarter of 2020 due to net gain of US$627,000 on bunker arising from shipping operations was recognized in the current quarter. However, the dividend income decreased to US$190,000 for the third quarter of 2020 as compared to US$1,055,000 for the third quarter of 2019.

Interest income increased from US$949,000 for the third quarter of 2019 to US$1,260,000 for the current quarter. The increase was attributable to the interest income arising from the stable interest income generated from loan receivables which were asset-based financing that help mitigate cyclicality from core shipping business.

Shipping related expenses decreased from US$7,803,000 for the third quarter of 2019 to US$6,729,000 for the current quarter. Daily vessel running cost decreased to US$3,486 for the third quarter of 2020 as compared to US$3,808 for the third 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$5,642,000 for the third quarter of 2019 to US$2,688,000 for the third quarter of 2020 due to the decrease in net loss on financial assets at fair value through profit or loss from US$3,976,000 for the third quarter of 2019 to US$1,681,000 for the third quarter of 2020.

Finance costs dropped from US$1,121,000 for the third quarter of 2019 to US$620,000 for the third quarter of 2020. The decrease was mainly attributable to the decrease in interest rate as compared with that of the corresponding quarter in 2019.

## FINANCIAL REVIEW

During the nine months ended 30 September 2020, capital expenditure on additions of property, plant and equipment was US$7,971,000 (30/9/2019: US$7,985,000). During the nine months ended 30 September 2019, capital expenditure on additions of investment properties was US$5,195,000.

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 A of One Financial Street Center, Jing’an Central Business District, Shanghai, the PRC (the “Tower A” or previously named as “T3 Property”), pursuant to which the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss Limited (“Dual Bliss”), the holding company of the co-investment vehicle, of US$10,000,000. During the nine months ended 30 September 2020, the Co-Investor paid US$1,420,000 (30/9/2019: US$2,678,000) 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$1,075,000 (31/12/2019: US$2,495,000). The Co-Investor further provided additional US$4,276,915 (30/9/2019: 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 (the “Co-Investment Supplemental Capital Call”). In March 2020, the Co-Investor received a total of US$4,276,915 under the share repurchase scheme, and those 4,276,915 issued non-voting participating class A shares of Dual Bliss under the Co-Investment Supplemental Capital Call had been repurchased and cancelled.

The Co-Investor received updates from Phoenix Property Investors Limited (the “Investment Manager”) in May 2020 in relation to the status of the co-investment as announced by the Company on 28 May 2020. Due to unexpected COVID-19 pandemic that has broadly affected different economic sectors, the Investment Manager advised the Co-Investor on 21 August 2020 that the vendor of Tower A has agreed on the extension of the closing of the acquisition to November 2020. We will update all shareholders of the Company on the significant investment update timely and accordingly.

The Group entered into an agreement on 10 July 2020 in respect of the acquisition of a Supramax of deadweight 50,259 metric tons at a consideration of US$3,950,000, which was delivered to the Group on 16 July 2020.

The Group also entered into an agreement in respect of the acquisition of an investment property at a consideration of HK$19,500,000 (approximately US$2,500,000) on 29 July 2020 with expected completion of the acquisition in late October 2020.

Subsequent to the reporting date, upon advice from the solicitors on title, the purchaser which is a wholly owned subsidiary of the Company and the vendor of the property had duly signed a cancellation agreement on 29 October 2020 to cancel the proposed transaction for the acquisition of the property and the initial deposit of HK$800,000 (approximately US$103,000) and the further deposit of HK$1,150,000 (approximately US$147,000) had been refunded to the Group.

The Group's total secured bank loans decreased from US$133,915,000 as of 31 December 2019 to US$118,591,000 as at 30 September 2020, of which 51%, 13% and 36% are repayable respectively within one year, one to two years and two to five years. During the first nine months of 2020, the Group had drawn new revolving loans and term loan of US$19,113,000 (30/9/2019: US$62,008,000) and repaid US$34,437,000 (30/9/2019: US$31,148,000). The bank borrowings represented vessel mortgage loans that were denominated in United States Dollars, revolving loans, term loans 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 first nine months of 2020, cash used in operations before changes in working capital was US$13,572,000 (30/9/2019: cash generated from operations before changes in working capital was US$8,718,000) and the net cash generated from operating activities after working capital changes was US$16,187,000 (30/9/2019: net cash used in operating activities after working capital changes was US$29,811,000). The changes in working capital are mainly attributable to the decrease in equity and debt securities, and loan receivables in respect of the six facility agreements. During the first nine months of 2020, the Group's net loss on financial assets at fair value through profit or loss was US$9,164,000 (30/9/2019: US$1,398,000) and the aggregate interest income and dividend income from financial assets was US$4,784,000 (30/9/2019: US$4,284,000). We remain cautious with the increased volatility in global financial markets due to the negative effect of the geopolitical tensions, the recent outbreak of COVID-19 across different regions, as well as the fluid outlook of interest rates.

As at 30 September 2020, the Group maintained positive working capital position of US$16,928,000 (31/12/2019: US$34,458,000) and the total of the Group's equity and debt securities, bank balances and cash decreased to US$71,559,000 (31/12/2019: US$97,662,000).

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 20% (31/12/2019: 14%) as at 30 September 2020. 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 30 September 2020, the Group is able to service its debt obligations, including principal and interest payments.

## FLEET

### Owned Vessels

As at 30 September 2020 and 29 November 2020, the Group had nineteen owned vessels as follows:

| | Number of owned vessels |
|---|---|
| Post-Panamax fleet | 2 |
| Supramax fleet | 17 |
| **Total fleet** | **19** |

The Group entered into an agreement on 10 July 2020 in respect of the acquisition of a Supramax of deadweight 50,259 metric tons at a consideration of US$3,950,000, which was delivered to the Group on 16 July 2020.

## 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 for most months in 2020 has been challenging due to a slowdown in global economic activity, driven by geopolitics as well as the COVID-19 global pandemic. On a positive note, encouraging improvements has been witnessed in the third quarter of 2020.

The demand of the two main backbone cargo has been mixed, with iron ore volumes being resilient, and coal volumes being somewhat weaker which was affected by lower energy consumption. However, there are positive signs of recovering coal demand in recent weeks. Particularly related to supramax related cargoes, demand benefitted from strong volumes in agricultural commodities which are less affected by industrial activities. Minor bulk loadings have been down over all in 2020 but has been recovering strongly in recent months. With supply side in check where newbuilding orders is at an all time low, we are cautiously optimistic that the freight market will experience further improvements going forward.

We remain to be vigilant against the COVID-19 in making sure our operations, as well as our colleagues at shore or at sea are well protected to the extent possible from the virus. We have adopted policies to ensure all our colleagues remain healthy and positive in order to take action as soon as the market conditions pick up. Despite virus related cases continue to occur sporadically, we remain cautiously optimistic that business activity will resume sooner than later, as governments, public health authorities, as well as the general public across the globe gain increased understanding and control over the spread of the COVID-19.

While we have full confidence in mankind’s capacity to respond to events and shape their futures for the better, we are mindful of anomalies that can introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets seem to be on the rise. 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*

30 November 2020

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | **3 months ended 30/9/2020 (Unaudited) *US$'000*** | 3 months ended 30/9/2019 (Unaudited) *US$'000* | **9 months ended 30/9/2020 (Unaudited) *US$'000*** | 9 months ended 30/9/2019 (Unaudited) *US$'000* | Year ended 31/12/2019 (Audited) *US$'000* |
|---|---|---|---|---|---|---|
| **Revenue** | *2* | **14,257** | 16,586 | **31,981** | 43,370 | 63,160 |
| Net gain on disposal of owned vessels | | **-** | - | **-** | - | 90 |
| Other operating income | *3* | **2,089** | 1,775 | **4,034** | 5,247 | 7,855 |
| Interest income | *4* | **1,260** | 949 | **3,884** | 2,462 | 3,694 |
| Shipping related expenses | | **(6,729)** | (7,803) | **(27,578)** | (23,284) | (32,684) |
| Staff costs | | **(2,940)** | (2,917) | **(8,802)** | (8,760) | (12,339) |
| Other operating expenses | | **(2,688)** | (5,642) | **(12,427)** | (5,423) | (5,596) |
| **Operating profit (loss) before depreciation and amortization** | | **5,249** | 2,948 | **(8,908)** | 13,612 | 24,180 |
| Depreciation and amortization | | **(3,775)** | (3,799) | **(11,318)** | (11,558) | (15,362) |
| **Operating profit (loss)** | | **1,474** | (851) | **(20,226)** | 2,054 | 8,818 |
| Finance costs | | **(620)** | (1,121) | **(2,576)** | (3,208) | (4,323) |
| **Profit (Loss) before taxation** | | **854** | (1,972) | **(22,802)** | (1,154) | 4,495 |
| Taxation | *7* | **-** | - | **-** | - | - |
| **Net profit (loss) for the period / year** | | **854** | (1,972) | **(22,802)** | (1,154) | 4,495 |
| **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) | | **(88)** | (401) | **(381)** | (272) | (684) |
| Change in fair value arisen from reclassification from leasehold land and buildings to investment properties | | **-** | - | **-** | - | 476 |
| **Items that may be reclassified subsequently to profit or loss:** | | | | | | |
| Change in fair value of financial assets at fair value through OCI (recycling) | | **-** | - | **-** | - | (25) |
| **Total comprehensive income (loss) for the period / year attributable to shareholders of the Company** | | **766** | (2,373) | **(23,183)** | (1,426) | 4,262 |
| **Earnings (Loss) per share** | *8* | | | | | |
| - Basic and diluted | | **US$0.008** | US$(0.018) | **US$(0.209)** | US$(0.011) | US$0.041 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | **30/9/2020** | 30/9/2019 | 31/12/2019 |
|---|---|---|---|---|
| | | **(Unaudited)** | (Unaudited) | (Audited) |
| | *Note* | ***US$'000*** | *US$'000* | *US$'000* |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **202,674** | 214,611 | 206,021 |
| Investment properties | *10* | **30,138** | 29,528 | 30,138 |
| Financial assets at fair value through OCI | *11* | **7,949** | 7,347 | 6,910 |
| Loan receivables | *12* | **29,468** | 10,752 | 40,044 |
| | | **270,229** | 262,238 | 283,113 |
| **Current assets** | | | | |
| Inventories | | **1,497** | 600 | 1,613 |
| Loan receivables | *12* | **5,110** | 2,899 | 4,891 |
| Trade and other receivables | | **10,245** | 13,277 | 10,717 |
| Financial assets at fair value through profit or loss | *13* | **40,543** | 67,882 | 64,071 |
| Pledged deposits | | **7,521** | 7,287 | 8,437 |
| Bank balances and cash | | **31,255** | 34,836 | 33,591 |
| | | **96,171** | 126,781 | 123,320 |
| **Total assets** | | **366,400** | 389,019 | 406,433 |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | | | |
| Issued capital | | **5,463** | 5,463 | 5,463 |
| Reserves | | **224,056** | 241,551 | 247,239 |
| **Total equity** | | **229,519** | 247,014 | 252,702 |
| **Non-current liabilities** | | | | |
| Secured bank loans | *14* | **57,638** | 59,394 | 64,869 |
| **Current liabilities** | | | | |
| Trade and other payables | | **18,198** | 20,894 | 19,689 |
| Amount due to holding company | | **92** | 68 | 127 |
| Secured bank loans | *14* | **60,953** | 61,649 | 69,046 |
| | | **79,243** | 82,611 | 88,862 |
| **Total equity and liabilities** | | **366,400** | 389,019 | 406,433 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Issued capital | Share premium | Capital redemption reserve | Contributed surplus | Revaluation reserve | Reserve for financial assets at fair value through OCI | Retained profits | Total equity |
|---|---|---|---|---|---|---|---|---|
| | (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 loss** | | | | | | | | |
| Net loss for the period | - | - | - | - | - | - | (1,154) | (1,154) |
| **Other comprehensive loss** | | | | | | | | |
| Change in fair value of financial assets at fair value through OCI | - | - | - | - | - | (272) | - | (272) |
| **Total comprehensive loss for the period** | - | - | - | - | - | (272) | (1,154) | (1,426) |
| 2018 final dividend paid | - | - | - | - | - | - | (2,513) | (2,513) |
| At 30 September 2019 | 5,463 | 95,585 | 719 | 16,297 | - | (515) | 129,465 | 247,014 |
| At 1 January 2020 | 5,463 | 95,585 | 719 | 16,297 | 476 | (952) | 135,114 | 252,702 |
| **Comprehensive loss** | | | | | | | | |
| Net loss for the period | - | - | - | - | - | - | (22,802) | (22,802) |
| **Other comprehensive loss** | | | | | | | | |
| Change in fair value of financial assets at fair value through OCI | - | - | - | - | - | (381) | - | (381) |
| **Total comprehensive loss for the period** | - | - | - | - | - | (381) | (22,802) | (23,183) |
| **At 30 September 2020** | **5,463** | **95,585** | **719** | **16,297** | **476** | **(1,333)** | **112,312** | **229,519** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | **9 months ended 30/9/2020 (Unaudited)** | 9 months ended 30/9/2019 (Unaudited) | Year ended 31/12/2019 (Audited) |
|---|---|---|---|
| | ***US$'000*** | *US$'000* | *US$'000* |
| **OPERATING ACTIVITIES** | | | |
| Cash generated from (used in) operations before changes in working capital | **(13,572)** | 8,718 | 18,316 |
| Decrease (Increase) in working capital | **32,487** | (35,292) | (58,067) |
| Cash generated from (used in) operations | **18,915** | (26,574) | (39,751) |
| Interest paid | **(2,728)** | (3,237) | (4,347) |
| **Net cash from (used in) operating activities** | **16,187** | (29,811) | (44,098) |
| **INVESTING ACTIVITIES** | | | |
| Interest received | **4,422** | 2,006 | 2,722 |
| Dividend income received | **854** | 1,755 | 1,862 |
| Purchase of property, plant and equipment | **(7,971)** | (7,985) | (8,942) |
| Purchase of investment properties | **-** | (5,195) | (5,195) |
| Payment of unlisted equity investments | **(1,420)** | (2,678) | (2,678) |
| Proceeds from disposal of property, plant and equipment, net | **-** | - | 1,454 |
| Proceeds from disposal of assets held for sale, net | **-** | 2,990 | 2,990 |
| **Net cash used in investing activities** | **(4,115)** | (9,107) | (7,787) |
| **FINANCING ACTIVITIES** | | | |
| New secured bank loans | **19,113** | 62,008 | 79,752 |
| Repayment of secured bank loans | **(34,437)** | (31,148) | (36,020) |
| Decrease (Increase) in pledged deposits | **916** | (3,861) | (5,011) |
| Dividends paid to shareholders of the Company | **-** | (2,513) | (2,513) |
| **Net cash from (used in) financing activities** | **(14,408)** | 24,486 | 36,208 |
| **Net decrease in cash and cash equivalents** | **(2,336)** | (14,432) | (15,677) |
| **Cash and cash equivalents at beginning of the period / year** | **33,591** | 49,268 | 49,268 |
| **Cash and cash equivalents at end of the period / year** | **31,255** | 34,836 | 33,591 |

## NOTES:

**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 2019, 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 2020. The adoption of the new and amended IFRSs and HKFRSs does not have material impact on the Group's financial performance and financial position for the current and prior periods have been prepared and presented.

**2. Revenue**

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

| | **3 months ended 30/9/2020** | 3 months ended 30/9/2019 | **9 months ended 30/9/2020** | 9 months ended 30/9/2019 | Year ended 31/12/2019 |
|---|---|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | (Audited) |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | *US$'000* |
| Chartering freight and hire income: | | | | | |
| Hire income under time charters[1] | **14,257** | 16,586 | **29,893** | 43,370 | 63,160 |
| Freight income under voyage charters[2] | **-** | - | **2,088** | - | - |
| | **14,257** | 16,586 | **31,981** | 43,370 | 63,160 |

Notes:

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.

2. Freight income under voyage charter is accrued over the period from the date of loading of charterer's cargo to the date of discharging the cargo and is recognized on percentage of completion basis measured by time proportion of each voyage charter contract.

During the first nine months of 2020, the Group had entered into voyage charters to maximize potential business opportunity and freight income earned for the period was US$2,088,000. These voyage charters were carried out by certain chartered-in vessels under short-term leases less than 12 months and all these leases were completed in April 2020.

### 3. Other operating income

| | 3 months ended 30/9/2020 | 3 months ended 30/9/2019 | 9 months ended 30/9/2020 | 9 months ended 30/9/2019 | Year ended 31/12/2019 |
|---|---|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | (Audited) |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | *US$'000* |
| Net gain on financial assets at fair value through profit or loss | **-** | - | **-** | - | 1,498 |
| Other shipping operating income | **777** | 406 | **2,226** | 1,633 | 2,327 |
| Gross rental income from operating leases on investment properties | **139** | 148 | **420** | 287 | 435 |
| Dividend income | **190** | 1,055 | **900** | 1,822 | 1,929 |
| Settlement income in relation to repudiation claims | **-** | - | **-** | 614 | 614 |
| Net gain on disposal of assets held for sale | **-** | - | **-** | 608 | 608 |
| Net gain on bunker arising from shipping operations | **627** | - | **-** | - | - |
| Reversal of impairment loss on trade and other receivables | **-** | - | **-** | 2 | 2 |
| Sundry income | **356** | 166 | **488** | 281 | 442 |
| | **2,089** | 1,775 | **4,034** | 5,247 | 7,855 |

### 4. Interest income

| | 3 months ended 30/9/2020 | 3 months ended 30/9/2019 | 9 months ended 30/9/2020 | 9 months ended 30/9/2019 | Year ended 31/12/2019 |
|---|---|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | (Audited) |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | *US$'000* |
| Interest income in respect of: | | | | | |
| Financial assets at fair value through profit or loss | **382** | 724 | **977** | 1,706 | 2,179 |
| Deposits with banks and other financial institutions | **18** | 122 | **159** | 532 | 613 |
| Interest-bearing note and loan receivables | **860** | 103 | **2,748** | 224 | 902 |
| | **1,260** | 949 | **3,884** | 2,462 | 3,694 |

### 5. Other operating expenses

Other operating expenses for the first nine months of 2020 mainly included net loss of US$9,164,000 on financial assets at fair value through profit or loss (30/9/2019: US$1,398,000), professional fee of US$631,000 (30/9/2019: US$924,000) and directors' fee of US$583,000 (30/9/2019: US$583,000).

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.

## 6. Operating profit (loss) before depreciation and amortization

This is stated after charging / (crediting):

| | **3 months ended 30/9/2020** | 3 months ended 30/9/2019 | **9 months ended 30/9/2020** | 9 months ended 30/9/2019 | Year ended 31/12/2019 |
|---|---|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | (Audited) |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | *US$'000* |
| Realized loss (gain) on financial assets at fair value through profit or loss | **(351)** | 1,574 | **(683)** | (258) | (568) |
| Unrealized loss (gain) on financial assets at fair value through profit or loss | **2,032** | 2,402 | **9,847** | 1,656 | (930) |
| Net loss (gain) on financial assets at fair value through profit or loss | **1,681** | 3,976 | **9,164** | 1,398 | (1,498) |

## 7. Taxation

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

## 8. Earnings (Loss) per share

| | **3 months ended 30/9/2020** | 3 months ended 30/9/2019 | **9 months ended 30/9/2020** | 9 months ended 30/9/2019 | Year ended 31/12/2019 |
|---|---|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | (Audited) |
| Weighted average number of ordinary shares in issue | **109,258,943** | 109,258,943 | **109,258,943** | 109,258,943 | 109,258,943 |
| Net profit (loss) attributable to shareholders of the Company (US$'000) | **854** | (1,972) | **(22,802)** | (1,154) | 4,495 |
| Basic and diluted earnings (loss) per share | **US$0.008** | US$(0.018) | **US$(0.209)** | US$(0.011) | US$0.041 |

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 / year presented.

## 9. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 30 September 2020 (30/9/2019: nil).

## 10. Investment properties

| | **30/9/2020** | 30/9/2019 | 31/12/2019 |
|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | (Audited) |
| | ***US$'000*** | *US$'000* | *US$'000* |
| At 1 January | **30,138** | 24,333 | 24,333 |
| Additions | **-** | 5,195 | 5,195 |
| Reclassification from leasehold land and buildings | **-** | - | 855 |
| Change in fair value | **-** | - | (245) |
| | **30,138** | 29,528 | 30,138 |

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 investment properties of the Group were not revalued at 30 September 2020 by independent valuers. The management was aware of the possible change in the conditions of the property market and considered that the carrying amount of the Group's investment properties did not differ significantly from that which had been determined using fair values at 31 December 2019. Consequently, no increase or decrease in fair value of investment properties has been recognized in the current period.

The Group entered into an agreement in respect of the acquisition of an investment property at a consideration of HK$19,500,000 (approximately US$2,500,000) on 29 July 2020 with expected completion of the acquisition in late October 2020.

Subsequent to the reporting date, upon advice from the solicitors on title, the purchaser which is a wholly owned subsidiary of the Company and the vendor of the property had duly signed a cancellation agreement on 29 October 2020 to cancel the proposed transaction for the acquisition of the property and the initial deposit of HK$800,000 (approximately US$103,000) and the further deposit of HK$1,150,000 (approximately US$147,000) had been refunded to the Group. The Directors consider that the termination of the acquisition of the investment property would not have any material adverse effect on the financial position and operations of the Group.

## 11. Financial assets at fair value through OCI

| | **30/9/2020** | 30/9/2019 | 31/12/2019 |
|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | (Audited) |
| | ***US$'000*** | *US$'000* | *US$'000* |
| Unlisted equity investments | | | |
| Co-investment in a property project | | | |
| At 1 January | **6,545** | 4,551 | 4,551 |
| Additions | **1,420** | 2,678 | 2,678 |
| Addition of investment under Special Capital Call[3] | **4,277** | - | - |
| Disposal of investment under share repurchase scheme[4] | **(4,277)** | - | - |
| Change in fair value[1] | **(381)** | (272) | (684) |
| | **7,584** | 6,957 | 6,545 |
| Unlisted club membership | | | |
| At 1 January | **365** | 390 | 390 |
| Change in fair value[2] | **-** | - | (25) |
| | **365** | 390 | 365 |
| | **7,949** | 7,347 | 6,910 |

Notes:

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

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

3. A wholly owned subsidiary of the Company (the "Co-Investor") provided additional US$4,276,915 (30/9/2019: nil) as co-investment supplemental capital call in early February 2020 pursuant to a supplemental memorandum (the "Memorandum") signed on 31 January 2020 for acquiring 4,276,915 issued non-voting participating class A shares of Dual Bliss Limited (the "Co-Investment Supplemental Capital Call"). This Co-Investment Supplemental Capital Call was required for all shareholders of Dual Bliss Limited ("Dual Bliss") and all other investors of the co-investment in Tower A of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC (the "Tower A" or previously named as "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 was 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 used 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, the Special Fund had remitted back to respective shareholders in proportion to the shareholdings under a mandatory share repurchase scheme mechanism under the Memorandum.

4. In March 2020, the Co-Investor received a total of US$4,276,915 under the mandatory share repurchase scheme and those 4,276,915 issued non-voting participating class A shares of Dual Bliss under the Co-Investment Supplemental Capital Call had been repurchased and cancelled.

Pursuant to the co-investment documents, the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss, the holding company of the co-investment vehicle, of US$10,000,000. During the first nine months of 2020, the Co-Investor paid US$1,420,000 (30/9/2019: US$2,678,000) 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$1,075,000 (31/12/2019: US$2,495,000).

The Co-Investor received updates from Phoenix Property Investors Limited (the “Investment Manager”) in May 2020 in relation to the status of the co-investment as announced by the Company on 28 May 2020. Due to unexpected COVID-19 pandemic that has broadly affected different economic sectors, the Investment Manager advised the Co-Investor on 21 August 2020 that the vendor of Tower A has agreed on the extension of the closing of the acquisition to November 2020. We will update all shareholders of the Company on the significant investment update timely and accordingly.

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 periods / 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 periods / year.

## 12. Loan receivables

| | **30/9/2020** | 30/9/2019 | 31/12/2019 |
|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | (Audited) |
| | ***US$'000*** | *US$'000* | *US$'000* |
| At 1 January | **44,935** | - | - |
| Gross new loan originated | **-** | 14,381 | 46,381 |
| Repayment | **(10,357)** | (730) | (1,446) |
| Provision of individual impairment | **-** | - | - |
| Loan receivables, net of provision | **34,578** | 13,651 | 44,935 |
| Less: Amount receivable within one year | **(5,110)** | (2,899) | (4,891) |
| Amount receivable after one year | **29,468** | 10,752 | 40,044 |

The Group's loan receivables, which arise from asset-based financing are denominated in United States Dollars and are secured by collaterals provided by the borrowers, bear interest ranged from 8% to 10% per annum and are repayable with fixed terms agreed with the borrowers. 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.

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. Due to the slight decrease in market values of collateral vessels, we requested top-up repayment of loans in June 2020 in accordance with the facility agreements and such top-up repayments led to an increase in repayment during the period and a decrease in loan receivables at the reporting date. The carrying amount of these loan receivables are considered to be a reasonable approximation of their fair values.

### 13. Financial assets at fair value through profit or loss

| | **30/9/2020** | 30/9/2019 | 31/12/2019 |
|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | (Audited) |
| | ***US$'000*** | *US$'000* | *US$'000* |
| *Held for trading* | | | |
| Listed equity securities | **32,626** | 42,253 | 41,536 |
| Listed debt securities | **7,678** | 25,629 | 22,535 |
| | **40,304** | 67,882 | 64,071 |
| *Designated as such upon initial recognition:* | | | |
| Investment funds | **239** | - | - |
| | **40,543** | 67,882 | 64,071 |

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 investment funds represented the quoted market prices on the underlying investments provided by financial institutions 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 periods / year.

### 14. Secured bank loans

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

| | **30/9/2020** | 30/9/2019 | 31/12/2019 |
|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | (Audited) |
| | ***US$'000*** | *US$'000* | *US$'000* |
| Within one year | **60,953** | 61,649 | 69,046 |
| In the second year | **14,935** | 8,609 | 13,880 |
| In the third to fifth year | **42,703** | 43,444 | 46,213 |
| Wholly repayable within five years | **118,591** | 113,702 | 129,139 |
| After the fifth year | **-** | 7,341 | 4,776 |
| Total secured bank loans | **118,591** | 121,043 | 133,915 |
| Less: Amount repayable within one year | **(60,953)** | (61,649) | (69,046) |
| Amount repayable after one year | **57,638** | 59,394 | 64,869 |

During the nine months ended 30 September 2020, the Group had drawn new revolving loans and term loan of US$19,113,000 (30/9/2019: US$62,008,000) and repaid US$34,437,000 (30/9/2019: US$31,148,000).

**15. Capital expenditures and commitments**

During the nine months ended 30 September 2020, capital expenditure on additions of property, plant and equipment was US$7,971,000 (30/9/2019: US$7,985,000). During the nine months ended 30 September 2019, there was also capital expenditure on additions of investment properties of US$5,195,000.

Pursuant to the co-investment documents, the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss, the holding company of the co-investment vehicle, of US$10,000,000. During the nine months ended 30 September 2020, the Co-Investor paid US$1,420,000 (30/9/2019: US$2,678,000) 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$1,075,000 (31/12/2019: US$2,495,000).

**16. Related party transactions**

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

| | **3 months ended 30/9/2020** | 3 months ended 30/9/2019 | **9 months ended 30/9/2020** | 9 months ended 30/9/2019 | Year ended 31/12/2019 |
|---|---|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | (Audited) |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | *US$'000* |
| Salaries and other benefits | **1,942** | 1,942 | **5,825** | 5,832 | 8,127 |
| Contributions to retirement benefits schemes | **110** | 110 | **332** | 332 | 443 |
| | **2,052** | 2,052 | **6,157** | 6,164 | 8,570 |

**17. Events after the reporting date**

The Group entered into an agreement in respect of the acquisition of an investment property at a consideration of HK$19,500,000 (approximately US$2,500,000) on 29 July 2020 with expected completion of the acquisition in late October 2020.

Subsequent to the reporting date, upon advice from the solicitors on title, the purchaser which is a wholly owned subsidiary of the Company and the vendor of the property had duly signed a cancellation agreement on 29 October 2020 to cancel the proposed transaction for the acquisition of the property and the initial deposit of HK$800,000 (approximately US$103,000) and the further deposit of HK$1,150,000 (approximately US$147,000) had been refunded to the Group. The Directors consider that the termination of the acquisition of the investment property would not have any material adverse effect on the financial position and operations of the Group.

**18. Comparative figures**

Certain comparative figures have been reclassified in order to conform with current period's presentation.

**Jinhui Shipping and Transportation Limited**

Registered office:

Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

Correspondence address:

26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong SAR, PRC

Tel: (852) 2545 0951 E-mail: info@jinhuiship.com

Fax: (852) 2541 9794 Website: www.jinhuiship.com