



# **JINHUI SHIPPING AND TRANSPORTATION LIMITED**

**Third Quarter and  
Nine Months Report  
2019**

# HIGHLIGHTS

## For the Nine Months Ended 30 September 2019

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➤ Revenue for the period: US\$43 million

➤ Net loss for the period: US\$1.2 million

➤ Basic loss per share: US\$0.011

➤ Gearing ratio as at 30 September 2019: 7%

## For the Third Quarter of 2019

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➤ Revenue for the quarter: US\$17 million

➤ Net loss for the quarter: US\$2.0 million

➤ Basic loss per share: US\$0.018

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 2019.

### **THIRD QUARTER AND NINE-MONTH RESULTS**

Revenue for the third quarter of 2019 decreased 9% to US\$16,586,000, comparing to US\$18,303,000 for the corresponding quarter in 2018. The Company recorded a consolidated net loss of US\$1,972,000 for current quarter as compared to a consolidated net profit of US\$6,477,000 for the corresponding quarter in 2018. Basic loss per share was US\$0.018 for the third quarter of 2019 while basic earnings per share was US\$0.059 for the corresponding quarter in 2018.

Revenue for the first nine months of 2019 decreased 26% to US\$43,370,000, comparing to US\$58,397,000 for the same period in 2018. The Company recorded a consolidated net loss of US\$1,154,000 for the first nine months of 2019 while a consolidated net profit of US\$11,789,000 was reported in the first nine months of 2018 due to the net gain on disposal of owned vessels of US\$5,012,000. Basic loss per share for the period was US\$0.011 as compared to basic earnings per share of US\$0.108 for the first nine months of 2018.

During the first nine months of 2019, the Group entered into two facility agreements to provide the aggregated amount of US\$10 million loans to two borrowers. Subsequent to the reporting date, the Group further entered into four facility agreements to provide the aggregated amount of US\$28 million to four borrowers. 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 cyclicity from core shipping business.

### **INTERIM DIVIDEND**

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 30 September 2019.

### **REVIEW OF OPERATIONS**

**Third Quarter of 2019.** Baltic Dry Index (“BDI”) opened at 1,354 points at the beginning of July and continued to climb to the peak of the quarter at 2,518 points and closed at 1,823 points by the end of September. The average of BDI of the third quarter of 2019 was 2,030 points, which compares to 1,607 points in the same quarter in 2018.

Revenue for the third quarter of 2019 was US\$16,586,000 representing a decrease of 9% as compared to US\$18,303,000 for the same quarter in 2018. The drop in revenue for the quarter was mainly due to the reduction in the number of Group's owned vessels after the disposal of three motor vessels in the third quarter of 2018. The average daily time charter equivalent rates ("TCE") earned by the Group's owned vessels remained at similar rate of US\$10,016 for the third quarter of 2019 as compared to US\$10,096 for the corresponding quarter in 2018.

	<b>2019 Q3</b>	2018 Q3	<b>2019 1st nine months</b>	2018 1st nine months	2018
<b>Average daily TCE of owned vessels</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Post-Panamax fleet	<b>11,304</b>	11,245	<b>8,778</b>	11,554	11,689
Supramax fleet	<b>9,855</b>	9,967	<b>8,876</b>	9,799	9,743
In average	<b>10,016</b>	10,096	<b>8,865</b>	9,955	9,922

During the third quarter of 2019, the Group entered into two facility agreements, pursuant to which the Group agreed to provide two loans of US\$3 million and US\$7 million which are repayable in three years and five years to two borrowers respectively. The loans are cross-collateralized and the value of the collateral ships were approximately US\$18 million which were appraised by independent qualified appraisal firms.

Shipping related expenses dropped from US\$9,044,000 for the third quarter of 2018 to US\$7,803,000 for the current quarter. The decrease was attributable to the reduction in the number of vessels as the Group had disposed of three motor vessels in the third quarter of 2018. Daily vessel running cost slightly decreased from US\$3,881 for the third quarter of 2018 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 increased from US\$1,971,000 for the third quarter of 2018 to US\$5,642,000 for the current quarter due to the Group recorded net loss of US\$3,976,000 on financial assets at fair value through profit or loss for the third quarter of 2019 as compared to net loss of US\$618,000 for the corresponding quarter in 2018. The increase was mainly attributable to the unrealized loss on investment portfolio. We remain cautious with the increased volatility due to the negative effect of the US-China trade war, as well as the fluid outlook of interest rates.

Due to reduced number of owned vessels, the Group's depreciation and amortization dropped by 12% from US\$4,318,000 for the third quarter of 2018 to US\$3,799,000 for the third quarter of 2019.

Finance costs increased from US\$785,000 for the third quarter of 2018 to US\$1,121,000 for the third quarter of 2019. The increase was mainly attributable to the rising interest rate that increased our borrowing cost for loans committed on floating rate and the increase in new secured bank loans for the quarter.

## FINANCIAL REVIEW

During the nine months ended 30 September 2019, capital expenditure on additions of property, plant and equipment was US\$7,985,000 (30/9/2018: US\$3,603,000) and on investment properties was US\$5,195,000 (30/9/2018: nil).

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 nine months ended 30 September 2019, the Co-Investor paid US\$2,678,000 (30/9/2018: US\$2,475,000) 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 (31/12/2018: 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 (31/12/2018: US\$8,550,000).

The Group’s total secured bank loans increased from US\$90,183,000 as of 31 December 2018 to US\$121,043,000 as at 30 September 2019, of which 51%, 7%, 36% and 6% 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. All bank borrowings were committed on floating rate basis.

During the first nine months of 2019, cash generated from operations before changes in working capital was US\$8,718,000 (30/9/2018: US\$20,959,000) and the net cash used in operating activities after working capital changes was US\$20,541,000 (30/9/2018: net cash from operating activities after working capital changes was US\$4,047,000). 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. During the nine months ended 30 September 2019, the Group’s net loss on financial assets at fair value through profit or loss was US\$1,398,000 (30/9/2018: US\$655,000) and the aggregate interest income and dividend income from financial assets was US\$4,284,000 (30/9/2018: US\$1,633,000). During the first nine months of 2019, the Group had drawn new revolving loans and term loan of US\$62,008,000 (30/9/2018: US\$12,308,000) and repaid US\$31,148,000 (30/9/2018: US\$64,913,000) for the period. The increase in bank borrowings are for working capital purpose and capital management purpose.

As at 30 September 2019, the Group maintained positive working capital position of US\$44,170,000 (31/12/2018: US\$69,172,000) and the total of the Group's equity and debt securities, bank balances and cash increased to US\$102,718,000 (31/12/2018: 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 7.42% (31/12/2018: 0.65%) as at 30 September 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 30 September 2019, the Group is able to service its debt obligations, including principal and interest payments.

## FLEET

### Owned Vessels

As at 28 November 2019, the Group had nineteen owned vessels as follows:

	Number of owned vessels
Post-Panamax fleet	2
Supramax fleet	17
<b>Total fleet</b>	<b>19</b>

In January 2019, the Group had 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 had 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.

Following the above disposal and acquisition of the vessels, the Group's total carrying capacity had been increased to deadweight 1,136,304 metric tons as at 30 September 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 third quarter of 2019 strengthened quite significantly against a more positive backdrop when demand for minor bulks such as bauxite, nickel and manganese ore strengthened, other dry bulk commodities demand benefited from a pickup of exports after earlier disruption to Mississippi River grain and Brazilian iron ore traffic. 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 may have also supported the stronger freight environment.

The dry bulk shipping industry demand and supply picture continue to offer a more optimistic sign with net new supply of the overall dry bulk fleet for 2019 and 2020 remains to be the lowest since the year 2000. The merits to order new ships has been and remain to be low, discouraged by the continued gap between newbuilding and secondhand prices, uncertainty in global economic growth, uncertainty on how future environmental regulations will evolve and impact future marine engine designs, and lastly the cautious stance of maritime industry financiers in asset base financing.

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. Recent studies in the industry also increasingly suggest the premium of LSFO over the traditional marine bunker fuel is likely to be significantly less than expected, further increasing the potential payback period of a scrubber installation. We 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 will get them BWTS in a timely manner well beyond this extended deadline.

Should the underlying long-term demand remain relatively intact, we believe the freight rate will normalize in the positive direction, financial markets will also pick up in sentiment in coming months should US and China manages to eventually resolve their differences.

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 or political 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](http://www.jinhuiship.com) and the NewsWeb of the Oslo Stock Exchange at [www.newsweb.no](http://www.newsweb.no).

By Order of the Board

A handwritten signature in black ink, appearing to be "Ng Siu Fai", written over a horizontal line.

**Ng Siu Fai**  
*Chairman*

29 November 2019



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

		<b>3 months ended 30/9/2019 (Unaudited) US\$'000</b>	3 months ended 30/9/2018 (Unaudited) US\$'000	<b>9 months ended 30/9/2019 (Unaudited) US\$'000</b>	9 months ended 30/9/2018 (Unaudited) US\$'000	Year ended 31/12/2018 (Audited) US\$'000
	Note					
<b>Revenue</b>	2	<b>16,586</b>	18,303	<b>43,370</b>	58,397	76,113
Net gain on disposal of owned vessels		-	5,012	-	5,012	5,437
Other operating income		<b>1,775</b>	1,512	<b>5,247</b>	4,592	6,182
Interest income		<b>949</b>	310	<b>2,462</b>	914	1,230
Shipping related expenses		<b>(7,803)</b>	(9,044)	<b>(23,284)</b>	(28,255)	(37,877)
Staff costs		<b>(2,917)</b>	(2,542)	<b>(8,760)</b>	(7,665)	(11,237)
Other operating expenses		<b>(5,642)</b>	(1,971)	<b>(5,423)</b>	(5,369)	(10,381)
<b>Operating profit before depreciation and amortization</b>		<b>2,948</b>	11,580	<b>13,612</b>	27,626	29,467
Depreciation and amortization		<b>(3,799)</b>	(4,318)	<b>(11,558)</b>	(13,498)	(17,593)
<b>Operating profit (loss)</b>		<b>(851)</b>	7,262	<b>2,054</b>	14,128	11,874
Finance costs		<b>(1,121)</b>	(785)	<b>(3,208)</b>	(2,339)	(3,161)
<b>Profit (Loss) before taxation</b>		<b>(1,972)</b>	6,477	<b>(1,154)</b>	11,789	8,713
Taxation	5	-	-	-	-	-
<b>Net profit (loss) for the period / year</b>		<b>(1,972)</b>	6,477	<b>(1,154)</b>	11,789	8,713
<b>Other comprehensive income (loss)</b>						
<b>Items that will not be reclassified to profit or loss:</b>						
Change in fair value of financial assets at fair value through OCI (non-recycling)		<b>(401)</b>	(177)	<b>(272)</b>	(177)	(295)
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Change in fair value of financial assets at fair value through OCI (recycling)		-	-	-	(20)	14
<b>Total comprehensive income (loss) for the period / year attributable to shareholders of the Company</b>		<b>(2,373)</b>	6,300	<b>(1,426)</b>	11,592	8,432
<b>Earnings (Loss) per share</b>	6					
- Basic and diluted		<b>US\$(0.018)</b>	US\$0.059	<b>US\$(0.011)</b>	US\$0.108	US\$0.080

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30/9/2019 (Unaudited) US\$'000	30/9/2018 (Unaudited) US\$'000	31/12/2018 (Audited) US\$'000
	Note			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		214,611	233,826	218,184
Investment properties	8	29,528	15,632	24,333
Financial assets at fair value through OCI	9	7,347	2,673	4,941
Loan receivables	10	10,752	-	-
		<b>262,238</b>	252,131	247,458
<b>Current assets</b>				
Inventories		600	987	350
Loan receivables	10	2,899	-	-
Trade and other receivables		13,277	17,347	14,529
Financial assets at fair value through profit or loss	11	67,882	34,973	39,843
Pledged deposits		7,287	6,443	3,426
Bank balances and cash		34,836	47,995	49,268
Assets held for sale		-	-	6,763
		<b>126,781</b>	107,745	114,179
<b>Total assets</b>		<b>389,019</b>	359,876	361,637
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Issued capital		5,463	5,463	5,463
Reserves		241,551	248,650	245,490
<b>Total equity</b>		<b>247,014</b>	254,113	250,953
<b>Non-current liabilities</b>				
Secured bank loans	12	59,394	35,316	65,677
<b>Current liabilities</b>				
Trade and other payables		20,894	20,485	20,411
Amount due to holding company		68	58	90
Secured bank loans	12	61,649	49,904	24,506
		<b>82,611</b>	70,447	45,007
<b>Total equity and liabilities</b>		<b>389,019</b>	359,876	361,637

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Share premium	Capital redemption reserve	Contributed surplus	Reserve for available- for-sale financial assets	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 2018	5,463	95,585	719	16,297	38	-	126,932	245,034
Reclassification upon the adoption of IFRS 9 and HKFRS 9	-	-	-	-	(38)	38	-	-
At 1 January 2018 (adjusted)	5,463	95,585	719	16,297	-	38	126,932	245,034
<b>Comprehensive income</b>								
Net profit for the period	-	-	-	-	-	-	11,789	11,789
<b>Other comprehensive loss</b>								
Change in fair value of financial assets at fair value through OCI	-	-	-	-	-	(197)	-	(197)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(197)	11,789	11,592
2018 interim dividend paid	-	-	-	-	-	-	(2,513)	(2,513)
At 30 September 2018	5,463	95,585	719	16,297	-	(159)	136,208	254,113
At 1 January 2019	5,463	95,585	719	16,297	-	(243)	133,132	250,953
<b>Comprehensive loss</b>								
Net loss for the period	-	-	-	-	-	-	(1,154)	(1,154)
<b>Other comprehensive loss</b>								
Change in fair value of financial assets at fair value through OCI	-	-	-	-	-	(272)	-	(272)
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	(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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 months ended 30/9/2019 (Unaudited) US\$'000	9 months ended 30/9/2018 (Unaudited) US\$'000	Year ended 31/12/2018 (Audited) US\$'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations before changes in working capital	8,718	20,959	22,127
Increase in working capital	(26,022)	(14,479)	(16,305)
Cash generated from (used in) operations	(17,304)	6,480	5,822
Interest paid	(3,237)	(2,433)	(3,028)
<b>Net cash from (used in) operating activities</b>	<b>(20,541)</b>	4,047	2,794
<b>INVESTING ACTIVITIES</b>			
Interest received	2,006	999	1,436
Decrease in bank deposits with more than three months to maturity when placed	-	13,400	13,400
Dividend income received	1,755	694	720
Purchase of property, plant and equipment	(7,985)	(3,603)	(5,218)
Purchase of investment properties	(5,195)	-	(8,774)
Payment of unlisted equity investments	(2,678)	(2,494)	(4,846)
Loan receivables - new loans originated	(10,000)	-	-
Loan receivables - repayment	730	-	-
Proceeds from disposal of property, plant and equipment, net	-	25,250	32,074
Proceeds from disposal of assets held for sale, net	2,990	-	-
<b>Net cash from (used in) investing activities</b>	<b>(18,377)</b>	34,246	28,792
<b>FINANCING ACTIVITIES</b>			
New secured bank loans	62,008	12,308	41,384
Repayment of secured bank loans	(31,148)	(64,913)	(89,026)
Decrease (Increase) in pledged deposits	(3,861)	78	3,095
Dividends paid to shareholders of the Company	(2,513)	(2,513)	(2,513)
<b>Net cash from (used in) financing activities</b>	<b>24,486</b>	(55,040)	(47,060)
<b>Net decrease in cash and cash equivalents</b>	<b>(14,432)</b>	(16,747)	(15,474)
<b>Cash and cash equivalents at beginning of the period / year</b>	<b>49,268</b>	64,742	64,742
<b>Cash and cash equivalents at end of the period / year</b>	<b>34,836</b>	47,995	49,268

## 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 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” 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 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 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 / year are as follows:

	<b>3 months ended 30/9/2019 (Unaudited) US\$'000</b>	3 months ended 30/9/2018 (Unaudited) US\$'000	<b>9 months ended 30/9/2019 (Unaudited) US\$'000</b>	9 months ended 30/9/2018 (Unaudited) US\$'000	Year ended 31/12/2018 (Audited) US\$'000
Chartering hire income:					
Hire income under time charters <sup>1</sup>	<b>16,586</b>	18,303	<b>43,370</b>	58,397	76,113

Note:

- 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

Other operating income for the first nine months of 2019 mainly included dividend income of US\$1,822,000 (30/9/2018: US\$719,000), net gain of US\$608,000 (30/9/2018: nil) on disposal of assets held for sale (disposed vessel) and settlement income of US\$614,000 (30/9/2018: US\$450,000) from a charterer in relation to repudiation claims.

Other operating income for the year 2018 mainly included net gain on bunker of US\$1,813,000 arising from shipping operations, dividend income of US\$747,000 and settlement income of US\$450,000 from a charterer in relation to repudiation claims.

#### 4. Operating profit before depreciation and amortization

This is stated after charging / (crediting):

	<b>3 months ended 30/9/2019 (Unaudited) US\$'000</b>	3 months ended 30/9/2018 (Unaudited) US\$'000	<b>9 months ended 30/9/2019 (Unaudited) US\$'000</b>	9 months ended 30/9/2018 (Unaudited) US\$'000	Year ended 31/12/2018 (Audited) US\$'000
Realized loss (gain) on financial assets at fair value through profit or loss	1,574	728	(258)	(797)	(383)
Unrealized loss (gain) on financial assets at fair value through profit or loss	2,402	(110)	1,656	1,452	4,303
Net loss on financial assets at fair value through profit or loss	3,976	618	1,398	655	3,920
Reversal of impairment loss on trade and other receivables	-	(26)	(2)	(32)	(36)
Net gain on disposal of assets held for sale	-	-	(608)	-	-
Dividend income	(1,055)	(457)	(1,822)	(719)	(747)

#### 5. Taxation

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

#### 6. Earnings (Loss) per share

	<b>3 months ended 30/9/2019 (Unaudited)</b>	3 months ended 30/9/2018 (Unaudited)	<b>9 months ended 30/9/2019 (Unaudited)</b>	9 months ended 30/9/2018 (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	109,258,943
Net profit (loss) attributable to shareholders of the Company (US\$'000)	(1,972)	6,477	(1,154)	11,789	8,713
Basic and diluted earnings (loss) per share	US\$(0.018)	US\$0.059	US\$(0.011)	US\$0.108	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 / year presented.

## 7. Dividends

	<b>3 months ended 30/9/2019 (Unaudited) US\$'000</b>	3 months ended 30/9/2018 (Unaudited) US\$'000	<b>9 months ended 30/9/2019 (Unaudited) US\$'000</b>	9 months ended 30/9/2018 (Unaudited) US\$'000	Year ended 31/12/2018 (Audited) US\$'000
2018 interim dividend, declared of US\$0.023 per share	-	-	-	2,513	2,513
2018 final dividend, declared of US\$0.023 per share	-	-	-	-	2,513
	-	-	-	2,513	5,026

The final dividend for year 2018 was approved by the Company's shareholders on the annual general meeting held on 15 May 2019. Such dividend was paid to the shareholders of the Company in early June 2019.

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 30 September 2019. (30/9/2018: nil).

## 8. Investment properties

	<b>30/9/2019 (Unaudited) US\$'000</b>	30/9/2018 (Unaudited) US\$'000	31/12/2018 (Audited) US\$'000
At 1 January	<b>24,333</b>	15,632	15,632
Additions	<b>5,195</b>	-	8,774
Change in fair value	-	-	(73)
	<b>29,528</b>	15,632	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.

The investment properties of the Group were not revalued at 30 September 2019 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 2018. Consequently, no increase or decrease in fair value of investment properties has been recognized in the current period.



## 9. Financial assets at fair value through OCI

	<b>30/9/2019</b>	30/9/2018	31/12/2018
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>US\$'000</b>	US\$'000	US\$'000
Unlisted equity investments			
Co-investment in a property project			
At 1 January	<b>4,551</b>	-	-
Additions	<b>2,678</b>	2,494	4,846
Change in fair value <sup>1</sup>	<b>(272)</b>	(177)	(295)
	<b>6,957</b>	2,317	4,551
Unlisted club membership			
At 1 January	<b>390</b>	376	376
Change in fair value <sup>2</sup>	<b>-</b>	(20)	14
	<b>390</b>	356	390
	<b>7,347</b>	2,673	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 first nine months of 2019, the Co-Investor paid US\$2,678,000 (30/9/2018: US\$2,475,000) in accordance with the terms and conditions of the co-investment documents and interest of US\$19,000 was capitalized in the first nine months of 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 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.

## 10. Loan receivables

	<b>30/9/2019</b>	30/9/2018	31/12/2018
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>US\$'000</b>	US\$'000	US\$'000
Gross new loan originated	<b>14,381</b>	-	-
Repayment	<b>(730)</b>	-	-
Provision of individual impairment	-	-	-
Loan receivables, net of provision	<b>13,651</b>	-	-
Less: Amount receivable within one year	<b>(2,899)</b>	-	-
Amount receivable after one year	<b>10,752</b>	-	-

In January 2019, the Group had entered into an agreement to dispose a vessel to a purchaser with the payment terms of the balance of approximately US\$4.4 million which would be repayable in three years. To secure the purchaser's performance and observance of and compliance with all of the covenants, the purchaser provided a first priority Hong Kong ship mortgage of the vessel in favour of the Group.

During the third quarter of 2019, the Group entered into two facility agreements, pursuant to which the Group agreed to provide two loans of US\$3 million and US\$7 million which are repayable in three years and five years to two borrowers respectively. The loans are cross-collateralized and the value of the collateral ships were approximately US\$18 million which were appraised by independent qualified appraisal firms. Subsequent to the reporting date, the Group entered into two facility agreements in October 2019, pursuant to which the Group agreed to provide two loans of US\$7 million each which are repayable in five years to two borrowers respectively. The loans are cross-collateralized and the value of the collateral ships were approximately US\$22.4 million which were appraised by independent qualified appraisal firms. The Group further entered into two facility agreements in November 2019, pursuant to which the Group agreed to provide two loans of US\$7 million each which are repayable in five years to two borrowers respectively. The loans are cross-collateralized and the value of the collateral ships were approximately US\$21.3 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 cyclicity 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 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.

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

	<b>30/9/2019</b>	30/9/2018	31/12/2018
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>US\$'000</b>	US\$'000	US\$'000
<i>Held for trading</i>			
Listed equity securities	<b>42,253</b>	32,633	34,928
Listed debt securities	<b>25,629</b>	2,340	4,355
	<b>67,882</b>	34,973	39,283
<i>Designated as such upon initial recognition:</i>			
Equity linked notes	-	-	560
	<b>67,882</b>	34,973	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 periods / year.

## 12. Secured bank loans

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

	<b>30/9/2019</b>	30/9/2018	31/12/2018
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>US\$'000</b>	US\$'000	US\$'000
Within one year	<b>61,649</b>	49,904	24,506
In the second year	<b>8,609</b>	35,316	8,434
In the third to fifth year	<b>43,444</b>	-	40,691
Wholly repayable within five years	<b>113,702</b>	85,220	73,631
After the fifth year	<b>7,341</b>	-	16,552
Total secured bank loans	<b>121,043</b>	85,220	90,183
Less: Amount repayable within one year	<b>(61,649)</b>	(49,904)	(24,506)
Amount repayable after one year	<b>59,394</b>	35,316	65,677

During the first nine months of 2019, the Group had drawn new revolving loans and term loan of US\$62,008,000 (30/9/2018: US\$12,308,000) and repaid US\$31,148,000 (30/9/2018: US\$64,913,000) for the period. The increase in bank borrowings are for working capital purpose and capital management purpose.

### 13. Capital expenditures and commitments

During the nine months ended 30 September 2019, capital expenditure on additions of property, plant and equipment was US\$7,985,000 (30/9/2018: US\$3,603,000) and on investment properties was US\$5,195,000 (30/9/2018: nil).

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 nine months ended 30 September 2019, the Co-Investor paid US\$2,678,000 (30/9/2018: US\$2,475,000) 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 (31/12/2018: 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 (31/12/2018: US\$8,550,000).

### 14. Related party transactions

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

	<b>3 months ended 30/9/2019 (Unaudited) US\$'000</b>	3 months ended 30/9/2018 (Unaudited) US\$'000	<b>9 months ended 30/9/2019 (Unaudited) US\$'000</b>	9 months ended 30/9/2018 (Unaudited) US\$'000	Year ended 31/12/2018 (Audited) US\$'000
Salaries and other benefits	1,942	1,595	5,832	4,870	7,246
Contributions to retirement benefits schemes	110	90	332	270	360
	<b>2,052</b>	1,685	<b>6,164</b>	5,140	7,606

#### **15. Events after the reporting date**

Subsequent to the reporting date, the Group entered into two facility agreements in October 2019, pursuant to which the Group agreed to provide two loans of US\$7 million each which are repayable in five years to two borrowers respectively. The loans are cross-collateralized and the value of the collateral ships were approximately US\$22.4 million which were appraised by independent qualified appraisal firms. The Group further entered into two facility agreements in November 2019, pursuant to which the Group agreed to provide two loans of US\$7 million each which are repayable in five years to two borrowers respectively. The loans are cross-collateralized and the value of the collateral ships were approximately US\$21.3 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 cyclicity from core shipping business.



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