JINHUI SHIPPING

JINHUI

JINHUI SHIPPING
AND TRANSPORTATION LIMITED

Fourth Quarter Report for the Quarter Ended 31 December 2018

and

Preliminary Annual Results for the Year Ended 31 December 2018

JINHUI SHIPPING

HIGHLIGHTS

For the Year Ended 31 December 2018

- Revenue for the year: US$76 million
- Net profit for the year: US$8.7 million included net gain on disposal of four motor vessels of US$5.4 million
- Basic earnings per share: US$0.08
- Gearing ratio as at 31 December 2018: 0.65%
- Proposed final dividend : US$0.023 per share

For the Fourth Quarter of 2018

- Revenue for the quarter: US$18 million
- Net loss for the quarter: US$3 million
- Basic loss per share: US$0.028

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 2018.

FOURTH QUARTER AND ANNUAL RESULTS

Revenue for the fourth quarter of 2018 decreased 16% to US$17,716,000, comparing to US$21,107,000 for the corresponding quarter in 2017. The Company recorded a consolidated net loss of US$3,076,000 for current quarter as compared to a consolidated net profit of US$2,478,000 for the corresponding quarter in 2017. Basic loss per share was US$0.028 for the fourth quarter of 2018 while basic earnings per share was US$0.023 for the corresponding quarter in 2017.

Revenue for the year 2018 increased 3% to US$76,113,000, comparing to US$73,547,000 for the year 2017. The Company recorded a consolidated net profit of US$8,713,000 for the year 2018 while a consolidated net loss of US$4,031,000 was reported in 2017. The consolidated net profit for the year 2018 was mainly attributable to the improved shipping revenue and the net gain from disposal of four motor vessels in 2018. Basic earnings per share for the year was US$0.080 as compared to basic loss per share of US$0.043 for the year 2017.

During the year, the Group took the opportunity to enter into four memorandums of agreement to dispose of four Supramaxes at a total consideration of US$32,560,000 with the net gain of US$5,437,000 on completion of the disposal of these four vessels in the second half of 2018. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate and believe that the disposal of four Supramaxes aged above 15 years would enable the Group to enhance its working capital position and further strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio and reduce our exposure in operational risk in the unpredictable and volatile market environment.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of US$0.023 per share for the year ended 31 December 2018 and such dividend, if approved by the shareholders at the forthcoming annual general meeting scheduled on 15 May 2019, will be paid to the beneficial owners of the shares of the Company whose names are registered in the Norwegian Verdipapirsentralen (the Norwegian Registry of Securities) at the close of business on 20 May 2019. The Company's shares listed on the Oslo Stock Exchange will be traded including dividend up until and including 15 May 2019. The ex dividend date is 16 May 2019 and the dividend will be paid on or about 5 June 2019. On 29 August 2018, the Board resolved to pay an interim dividend of US$0.023 per share to the shareholders of the Company. The interim dividend was paid to the shareholders of the Company on 28 September 2018. The proposed final dividend as mentioned above, if approved, will bring the total dividends for 2018 to US$0.046 per share.

REVIEW OF OPERATIONS

Fourth Quarter of 2018. Baltic Dry Index ("BDI") opened at 1,540 points at the beginning of October and closed at 1,271 points by the end of December. The average of BDI of the fourth quarter of 2018 was 1,363 points, which compares to 1,509 points in the same quarter in 2017.

Revenue for the fourth quarter of 2018 was US$17,716,000 representing a decrease of 16% as compared to US$21,107,000 for the same quarter in 2017. 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 four motor vessels in the second half of 2018. The average daily time charter equivalent rates ("TCE") earned by the Group's owned vessels slightly decrease 1% to US$9,815 for the fourth quarter of 2018 as compared to US$9,880 for the corresponding quarter in 2017.

Average daily TCE of owned vessels	**2018 Q4 *US$***	2017 Q4 *US$*	**2018 *US$***	2017 *US$*
Post-Panamax fleet	**12,072**	11,430	**11,689**	8,645
Supramax / Handysize fleet	**9,559**	9,726	**9,743**	8,063
In average	**9,815**	9,880	**9,922**	8,111

Shipping related expenses dropped from US$12,145,000 for the fourth quarter of 2017 to US$9,622,000 for the current quarter. The decrease was attributable to the reduction in the number of vessels as the Group had disposed of four vessels in the second half of 2018. Daily vessel running cost slightly increased from US$4,493 for the fourth quarter of 2017 to US$4,537 for the fourth quarter of 2018 due to mild inflation in crew wages, and repair and maintenance expenses being booked during this time of the fiscal year. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

Due to reduced number of owned vessels, the Group's depreciation and amortization dropped by 14% from US$4,740,000 for the fourth quarter of 2017 to US$4,095,000 for the fourth quarter of 2018.

Other operating expenses increased from US$2,040,000 for the fourth quarter of 2017 to US$5,023,000 for the fourth quarter of 2018. The increase was mainly due to the Group has recognized net loss of US$3,265,000 on financial assets at fair value through profit or loss for the fourth quarter in 2018 due to the negative sentiments in global equity markets with uncertainties over US-China trade war.

Finance costs decreased by 24% from US$1,079,000 for the fourth quarter of 2017 to US$822,000 for the fourth quarter of 2018. The decrease was mainly attributable to the reduction in outstanding loan principal upon repayment of vessel mortgage loans, partially offset by the impact of rising LIBOR in 2018 as all of the Group's bank borrowings were committed on floating rate basis.

Year 2018. Dry bulk shipping market improved remarkably in the first half of 2018, driven mainly by strong Chinese dry bulk imports and limited tonnage growth and high level of demolitions activities. Both BDI and charter rates across all vessel classes had been showing encouraging improvements when comparing the first half of 2017. With a better balance of dry bulk shipping demand and supply, the market freight rate was moving upward in the year and the average of BDI for the year 2018 was 1,353 points, which compares to 1,145 points in 2017. The dry bulk shipping market sentiment altered in the last quarter of 2018 under the tension of US-China trade war and freight rates were suppressed by the rapidly softening demand for global seaborne trading activities, in particular to iron-ore and coal, grain and soybean trading activities.

Revenue for the year 2018 increased 3% to US$76,113,000, comparing to US$73,547,000 for the year 2017. The Company recorded a consolidated net profit of US$8,713,000 for the year 2018 while a consolidated net loss of US$4,031,000 was reported in 2017. The consolidated net profit for the year 2018 was mainly attributable to the improved shipping revenue and the net gain from disposal of four motor vessels in 2018. The average daily TCE earned by the Group’s owned vessels increased 22% to US$9,922 for the year 2018 as compared to US$8,111 for the year 2017. Basic earnings per share for the year was US$0.080 as compared to basic loss per share of US$0.043 for the year 2017.

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. Other operating income decreased from US$11,758,000 for the year 2017 to US$6,182,000 for the year 2018 due to the net gain of US$4,052,000 on financial assets at fair value through profit or loss was recorded in 2017.

In the second half of 2018, the impact of US-China trade war to global economies have begun to surface, and the global shipping market, stock and financial markets were affected with different magnitude. The Group has recognized net loss of US$3,920,000 on financial assets at fair value through profit or loss and was included in other operating expenses for the year 2018.

During the year, the Group took the opportunity to enter into four memorandums of agreement to dispose of four Supramaxes at a total consideration of US$32,560,000 with the net gain of US$5,437,000 on completion of the disposal of these four vessels in the second half of 2018. Subsequent to the reporting date, the Group entered into an agreement on 2 January 2019 to dispose a Supramax of deadweight 50,209 metric tons at a consideration of US$7,381,000, which will be delivered to the purchaser on or before 31 March 2019. The Group would realize a book gain of approximately US$1,168,000 on the disposal of the vessel. However, the actual book gain which the Group would realize upon completion of the disposal of the vessel will depend on the actual net book value of the vessel and the actual costs of disposal being incurred as at date of delivery. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate and believe that the disposal of five Suprmaxes aged above 15 years would enable the Group to enhance its working capital position and further strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio and reduce our exposure in operational risk in the unpredictable and volatile market environment.

Shipping related expenses dropped from US$43,698,000 for the year 2017 to US$37,877,000 for the current year. The decrease was mainly attributable to the reduced number of owned vessels. Daily vessel running cost slightly increased 5% from US$3,843 for the year 2017 to US$4,028 for the year 2018 due to mild inflation in crew wages. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

Finance costs decreased to US$3,161,000 for the year 2018, as compared to US$5,177,000 for the year 2017 mainly due to the interest saving from the reduction in outstanding loan principal upon repayment of all deferred installments for those loans restructured during the forbearance period of US$31,407,000 to respective lenders, repayment of vessel mortgage loans and repayment of revolving loans, partially offset by the impact of rising LIBOR in 2018 as all of the Group's bank borrowings were committed on floating rate basis.

FINANCIAL REVIEW

During the year, capital expenditure on additions of property, plant and equipment was US$5,218,000 (2017: US$4,976,000) and on investment properties was US$8,774,000 (2017: 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 year, the Co-Investor paid 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$5,173,000. Details of the co-investment have been published in the Group's announcement on 20 April 2018, which is available on the website of the Company at www.jinhuiship.com and the NewsWeb of the Oslo Stock Exchange at www.newsweb.no.

On 13 July 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of the investment properties at a consideration of HK$63,000,000 (approximately US$8,077,000). The investment properties are located in a prime commercial area in Hong Kong close to the Central district and are expected to generate steady and recurring stream of income for the Group. The completion date of the acquisition of the investment properties was 30 November 2018 and total costs capitalized were US$8,774,000.

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. During the year, the Group paid HK$4,649,000 (approximately US$596,000) in respect of the acquisition of the investment property, and as at the reporting date, 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$8,550,000 (2017: nil).

The co-investment in a property project in Shanghai and the acquisition of two investment properties represent a small allocation of capital into revenue generating assets that are non-correlated to our core shipping business which is often cyclical in nature. The Directors and senior management have been reviewing the prevailing property market in Hong Kong and Shanghai and believe the acquisition prices are highly attractive. In view of global commercial property market, rent and leasing demand in alternative central business district going forward is expected to be robust. The properties located in prime commercial area in Hong Kong and Shanghai and are expected to generate steady and recurring stream of income for the Group.

As at 31 December 2018, the Group's total secured bank loans dropped from US$137,825,000 as of 31 December 2017 to US$90,183,000, of which 27%, 9%, 45% and 19% are repayable respectively within one year, one to two years, two to five years and over five years. The Group repaid all deferred installments on 10 January 2018 for those loans restructured during the forbearance period of US$31,407,000 to respective lenders. During the year, the Group had drawn new secured bank loans of US$41,384,000 which included refinancing of certain vessels, revolving loans for working capital purpose and property mortgage loans for its investment properties. The Group repaid US$89,026,000 that included repayment of all deferred installments for those loans restructured during the forbearance period of US$31,407,000 to respective lenders, repayment of vessel mortgage loans and repayment of revolving loans. The bank borrowings represented vessel mortgage loans that were denominated in United States Dollars, revolving loans and property mortgage loans that were denominated in Hong Kong Dollars. All bank borrowings were committed on floating rate basis. As at 31 December 2018, the Company maintained positive working capital position of US$69,172,000 (2017: US$41,967,000) and the total of the Group's equity and debt securities, bank balances and cash decreased to US$88,551,000 (2017: US$101,920,000). During the year, the net cash generated from operations before working capital changes was US$22,127,000 (2017: US$23,813,000) and the net cash generated from operating activities after working capital changes was US$2,794,000 (2017: US$40,011,000). The significant working capital changes for the year were primarily attributed to the cash used for the settlement of accruals and other payables and in acquiring financial assets at fair value through profit or loss.

An intercreditor deed (the "ICD") forming between the Group and major lenders was executed in December 2016. Pursuant to the terms of the ICD, the Group shall pay 50% of each repayment installment during the forbearance period until 31 December 2018 (with early restructuring exit option) and the remaining 50% of each such installment be deferred and repaid after the end of the forbearance period in 2019. The ICD specified that an assessment of the Group's liquidity and financial capability would be completed in December 2017 to decide whether to continue or exit the forbearance period on 31 December 2017. As the Group fulfilled the liquidity and financial capability assessment, we received consent from respective lenders to exit and end the ICD on 31 December 2017.

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, decreased to 0.65% (2017: 15%) as at 31 December 2018. The drop in gearing ratio for the year was mainly attributable to the decrease in bank borrowings upon repayment of all deferred installments for those loans restructured in previous year and repayment of vessel mortgage loans. 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 2018, the Group is able to service its debt obligations, including principal and interest payments.

FLEET

Owned Vessels

As at 31 December 2018 and 27 February 2019, the Group had nineteen owned vessels as follows:

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

During the year, the Group had entered into four memorandums of agreement to dispose of four Supramaxes at a total consideration of US$32.6 million. Following the disposal of four vessels, the Group's total carrying capacity had been reduced from deadweight 1,341,902 metric tons to 1,136,283 metric tons. Four vessels had been delivered to the respective buyers in the second half of 2018.

Subsequent to the reporting date, the Group entered into an agreement on 2 January 2019 to dispose a Supramax of deadweight 50,209 metric tons at a consideration of US$7,381,000, which will be delivered to the purchaser on or before 31 March 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, 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 of 2018 has been favourable for the Company, with strong support in asset prices underpinned by healthy earnings. This favourable environment changed abruptly since the final months of 2018 where demand and sentiment were hit by a combination of factors — US-China trade war, slowing world GDP growth rates, Chinese New Year slowdown, accidents at iron ore suppliers in Brazil and Australia. With lesser ship scrapping given the favourable trading conditions earlier on in the year, the freight rate sharply declined in recent months.

Looking ahead, it is important to focus in macro and industry fundamentals.

The factor that haunts ship owners the most has always been oversupply. On a positive note, with a net new supply of approximately 3% of the overall dry bulk fleet for 2019 and 2020, the supply of new vessels remained to be the lowest since the year 2000. When looking at the age profile of the global bulker fleet, close to 40 million tonnes of the global fleet are older than 20 years old. With 2018 being the end of China for the import of international flagged tonnage due to new environmental policies, the IMO 2020 deadline, these old tonnages are likely to head towards the scrap yard rather than continue trading, given the economics involves highly expensive maintenance costs including the hurdles to maintain valid certificates for international trading. The incentive to order newbuildings has been at a historical low, given the uncertainty on how future regulations will evolve, financing costs on the rise, financial institution adopting a cautious approach towards asset base lending, and ongoing deleveraging exercise and prevention of capital outflow in China. Should the underlying long term demand remain relatively robust, we believe the freight rate will normalize in the positive direction in 2019.

Changes in technology as well as environmental policies causing changes in global energy mix will have material global implications and as a consequence, impact the Company's business. One of the most widely debated topics in our industry is the installation of scrubbers to meet the IMO 2020 sulphur cap emission regulation. We are currently refraining from the installation of scrubbers given the long term technical and commercial viability of scrubbers is yet to be proven, some countries have recently banned the use of open looped scrubbers for example, demonstrating the lack of consensus on the best way to meet the 2020 sulphur cap. At this juncture, we continue to believe the use of low sulphur fuel is the most efficient way to protect our environment. We expect the availability of such product will become abundant at reasonable costs with time, given the likelihood of a ramp up in demand from 2020 onwards.

Further unexpected events may occur which can introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets due to geopolitical events. We will continue to refrain from using freight, bunker, currencies or interest rate derivatives to minimize any unnecessary business risks. In 2018, we invested a small amount of capital into real estate assets in order to build a steady recurring income as well as potential long term capital appreciation to counter the highly volatile and cyclical nature of our core business.

We are in a relatively fortunate position where we have no capital expenditure commitment in relation to newbuilding contracts, as well as no charter-in contracts at this juncture. We have sold some of our older vessels lately to further enhance our already competitive cost structure over the long term, as well as immediate strengthening of our financial position. Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position, to ensure safe navigation through any stormy waters that may lie ahead.

On behalf of the Board of Directors of the Company, I would like to express our heartfelt appreciation to all customers and stakeholders for their ongoing support. Going forward, we will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under all kinds of scenarios. We will continue to exercise our best efforts to be a trustworthy business partner.

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 2019

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

	Note	3 months ended 31/12/2018 (Unaudited) US$'000	3 months ended 31/12/2017 (Unaudited) US$'000	Year ended 31/12/2018 (Unaudited) US$'000	Year ended 31/12/2017 (Audited) US$'000
Revenue	2	**17,716**	21,107	**76,113**	73,547
Net gain on disposal of owned vessels		**425**	-	**5,437**	-
Other operating income		**1,601**	3,821	**6,182**	11,758
Interest income		**316**	413	**1,230**	1,748
Shipping related expenses		**(9,622)**	(12,145)	**(37,877)**	(43,698)
Staff costs		**(3,572)**	(2,859)	**(11,237)**	(8,356)
Impairment loss on assets held for sale		**-**	-	**-**	(6,301)
Other operating expenses		**(5,023)**	(2,040)	**(10,381)**	(7,529)
Operating profit before depreciation and amortization		**1,841**	8,297	**29,467**	21,169
Depreciation and amortization		**(4,095)**	(4,740)	**(17,593)**	(20,023)
Operating profit (loss)		**(2,254)**	3,557	**11,874**	1,146
Finance costs		**(822)**	(1,079)	**(3,161)**	(5,177)
Profit (Loss) before taxation		**(3,076)**	2,478	**8,713**	(4,031)
Taxation	6	**-**	-	**-**	-
Net profit (loss) for the period / year		**(3,076)**	2,478	**8,713**	(4,031)
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)		**(118)**	-	**(295)**	-
Items that may be reclassified subsequently to profit or loss:					
Change in fair value of financial assets at fair value through OCI (recycling)		**34**	-	**14**	-
Change in fair value of available-for-sale financial assets		**-**	13	**-**	13
Total comprehensive income (loss) for the period / year attributable to shareholders of the Company		**(3,160)**	2,491	**8,432**	(4,018)
Earnings (Loss) per share	7				
- Basic and diluted		**US$(0.028)**	US$0.023	**US$0.080**	US$(0.043)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PRELIMINARY)

	Note	31/12/2018 (Unaudited) US$'000	31/12/2017 (Audited) US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**218,184**	263,959
Investment properties	*9*	**24,333**	15,632
Financial assets at fair value through OCI	*10*	**4,941**	-
Available-for-sale financial assets		**-**	376
		247,458	279,967
Current assets			
Inventories		**350**	58
Trade and other receivables		**14,529**	17,003
Financial assets at fair value through profit or loss	*11*	**39,843**	23,778
Pledged deposits		**3,426**	6,521
Bank balances and cash	*12*	**49,268**	78,142
		107,416	125,502
Assets held for sale		**6,763**	-
		114,179	125,502
Total assets		**361,637**	405,469
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	*13*	**5,463**	5,463
Reserves		**245,490**	239,571
Total equity		**250,953**	245,034
Non-current liabilities			
Secured bank loans	*14*	**65,677**	76,900
Current liabilities			
Trade and other payables		**20,411**	22,526
Amount due to holding company		**90**	84
Secured bank loans	*14*	**24,506**	60,925
		45,007	83,535
Total equity and liabilities		**361,637**	405,469

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PRELIMINARY)

	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
	(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 2017	4,202	72,087	719	16,297	25	-	130,963	224,293
Comprehensive loss								
Net loss for the year	-	-	-	-	-	-	(4,031)	(4,031)
Other comprehensive income								
Change in fair value of available-for-sale financial assets	-	-	-	-	13	-	-	13
Total comprehensive loss for the year	-	-	-	-	13	-	(4,031)	(4,018)
Issue of new shares upon rights issue	1,261	23,498	-	-	-	-	-	24,759
At 31 December 2017	5,463	95,585	719	16,297	38	-	126,932	245,034
	(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
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**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (PRELIMINARY)

	Note	**Year ended 31/12/2018 (Unaudited)** ***US$'000***	Year ended 31/12/2017 (Audited) *US$'000*
OPERATING ACTIVITIES			
Cash generated from operations		**5,822**	45,314
Interest paid		**(3,028)**	(5,303)
Net cash from operating activities		**2,794**	40,011
INVESTING ACTIVITIES			
Interest received		**1,436**	2,059
Decrease (Increase) in bank deposits with more than three months to maturity when placed		**13,400**	(13,400)
Dividend income received		**720**	408
Purchase of property, plant and equipment		**(5,218)**	(4,976)
Purchase of investment properties		**(8,774)**	-
Payment of unlisted equity investments		**(4,846)**	-
Proceeds from disposal of property, plant and equipment, net		**32,074**	-
Proceeds from disposal of investment properties, net		**-**	442
Proceeds from disposal of assets held for sale, net		**-**	61,640
Net cash from investing activities		**28,792**	46,173
FINANCING ACTIVITIES			
New secured bank loans		**41,384**	-
Repayment of secured bank loans		**(89,026)**	(74,729)
Decrease (Increase) in pledged deposits		**3,095**	(26)
Interim dividend paid to shareholders of the Company		**(2,513)**	-
Proceeds from issue of new shares upon rights issue, net		**-**	24,759
Net cash used in financing activities		**(47,060)**	(49,996)
Net increase (decrease) in cash and cash equivalents		**(15,474)**	36,188
Cash and cash equivalents at 1 January		**64,742**	28,554
Cash and cash equivalents at 31 December	*12*	**49,268**	64,742

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 2017, 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 2018.

IFRS 9 and HKFRS 9 Financial Instruments

IFRS 9 and HKFRS 9 replace IAS 39 and HKAS 39 "Financial Instruments: Recognition and Measurement". They introduce new requirements for the classification and measurement of financial assets, financial liabilities, new general hedge accounting requirements and impairment requirements for financial assets.

The directors have identified the following areas that are most impacted by the application of IFRS 9 and HKFRS 9:

Classification and measurement of financial assets at amortized cost

The Group classified its financial assets as at amortized cost if the following criteria are met:

(a) The asset is held within a business model with the objective of collecting contractual cash flows; and

(b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All trade and other receivables, pledged deposits, and bank balances and cash continue to be measured at amortized cost, as these items meet the criteria to be classified as at amortized cost in accordance with IFRS 9 and HKFRS 9.

Classification and measurement of financial assets at fair value through other comprehensive income ("OCI")

The Group classified its financial assets at fair value through OCI if the following criteria are met:

(a) Equity investments that are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value through OCI rather than profit or loss;

(b) Financial assets which the Group designated to recognize changes in fair value through OCI rather than profit or loss and those financial assets are not equity investments or held for trading; and

(c) Debt investments where the contractual cash flows are solely principal and interest and the objective of the Group's business model are achieved both by collecting contractual cash flows and selling financial assets.

Upon the adoption of IFRS 9 and HKFRS 9: Financial Instruments, the Group's investment in unlisted club membership classified as available-for-sale financial assets as at 31 December 2017 are reclassified to financial assets at fair value through other comprehensive income ("OCI") with effect from 1 January 2018. Cumulative fair value changes in the reserve for available-for-sale financial assets are transferred to reserve for financial assets at fair value through OCI with effect from 1 January 2018.

Classification and measurement of financial assets at fair value through profit or loss
The Group classified its financial assets at fair value through profit or loss if the following criteria are met:

(a) Equity investments that are held for trading;

(b) Equity investments for which the Group has not elected to recognize fair value gains and losses through OCI; and

(c) Debt investments that do not qualify for measurement at either amortized costs or at fair value through OCI.

All investments in listed equity securities and listed debt securities continue to be accounted for or designated as financial assets at fair value through profit or loss as the primary objective of holding these investments are for trading. The application of IFRS 9 and HKFRS 9 will not result in significant impact on the classification and measurement to financial assets classified in this category as the financial assets are continually measured at fair value through profit or loss.

New impairment requirements for financial assets
IFRS 9 and HKFRS 9 require an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 and HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risks since initial recognition. For trade receivables only, the Group applies the simplified approach permitted by IFRS 9 and HKFRS 9, which require expected lifetime losses to be recognized from initial recognition of the receivables. There was no significant impact on impairment of financial assets under the new expected credit loss model.

IFRS 15 and HKFRS 15 Revenue from Contracts with Customers
IFRS 15 and HKFRS 15 replace IAS 18 and HKAS 18 which cover contracts for goods and services and IAS 11 and HKAS 11 which cover construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer and a new five-step process must be applied before revenue can be recognized:

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

The adoption of IFRS 15 and HKFRS 15: Revenue from Contracts with Customers have no significant impact on the recognition of the Group's revenue. Whilst there are many forms of charter of varying lengths in shipping business, our revenue from operation mainly comprises chartering freight and hire income. Freight income from voyage charter is accrued over the period from the date of loading of charterer's cargo to the date of discharging the cargo and is recognized on percentage of completion basis measured by time proportion of each voyage charter contract. The existing practice reflects the performance obligation to provide transportation services which is satisfied over time from when transport of the goods begins from loading port through delivery to discharging port and freight income is recognized over the period of performance as required by IFRS 15 and HKFRS 15. Hence, the application of IFRS 15 and HKFRS 15 have no significant impact on the recognition of the Group's revenue. For hire income under time charter, as ship owners and lessors, the Group continues to classify its time charter contract as operating lease, and hire income is recognized on a straight-line basis over the period of each time charter contract.

Other than the adoption of IFRS 9 and HKFRS 9 as stated above, the adoption of other new and amended IFRS and HKFRS 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 freight and hire income arising from the Group's owned and chartered-in vessels. Revenue recognized during the periods / years are as follows:

	3 months ended 31/12/2018	3 months ended 31/12/2017	**Year ended 31/12/2018**	Year ended 31/12/2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
Chartering freight and hire income:				
Hire income under time charters[1]	**17,716**	20,057	**76,113**	70,506
Freight income under voyage charters[2]	**-**	1,050	**-**	3,041
	17,716	21,107	**76,113**	73,547

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.

3. **Net gain on disposal of owned vessels**

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

4. **Other operating income**

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.

Other operating income for the year 2017 mainly included net gain of US$4,052,000 on financial assets at fair value through profit or loss, change in fair value of investment properties of US$1,087,000 and settlement income of US$1,064,000 from a charterer in relation to repudiation claims.

5. **Operating profit before depreciation and amortization**

This is stated after charging / (crediting):

	3 months ended 31/12/2018	3 months ended 31/12/2017	**Year ended 31/12/2018**	Year ended 31/12/2017
	(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	**414**	(779)	**(383)**	(1,865)
Unrealized loss (gain) on financial assets at fair value through profit or loss	**2,851**	263	**4,303**	(2,187)
Net loss (gain) on financial assets at fair value through profit or loss	**3,265**	(516)	**3,920**	(4,052)
Reversal of impairment loss on trade and other receivables	**(4)**	(51)	**(36)**	(59)
Dividend income	**(28)**	(187)	**(747)**	(451)

6. **Taxation**

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

7. Earnings (Loss) per share

	3 months ended 31/12/2018	3 months ended 31/12/2017	**Year ended 31/12/2018**	Year ended 31/12/2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Weighted average number of ordinary shares in issue	**109,258,943**	109,258,943	**109,258,943**	94,667,104
Net profit (loss) attributable to shareholders of the Company (US$'000)	**(3,076)**	2,478	**8,713**	(4,031)
Basic and diluted earnings (loss) per share	**US$(0.028)**	US$0.023	**US$0.080**	US$(0.043)

Diluted earnings (loss) per share for the year ended 31 December 2018 and 2017 were the same as basic earnings (loss) per share as there was no potential dilutive ordinary shares in existence for the year ended 31 December 2018 and 2017.

8. Dividends

	3 months ended 31/12/2018	3 months ended 31/12/2017	**Year ended 31/12/2018**	Year ended 31/12/2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
2018 interim dividend, declared of US$0.023 per share	**-**	-	**2,513**	-
2018 final dividend, proposed of US$0.023 per share	**2,513**	-	**2,513**	-
	2,513	-	**5,026**	-

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting scheduled on 15 May 2019.

9. Investment properties

	31/12/2018	31/12/2017
	(Unaudited)	(Audited)
	US$'000	*US$'000*
At 1 January	**15,632**	14,984
Additions	**8,774**	-
Disposals	**-**	(439)
Change in fair value	**(73)**	1,087
	24,333	15,632

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.

On 13 July 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of the investment properties at a consideration of HK$63,000,000 (approximately US$8,077,000). The investment properties are located in a prime commercial area in Hong Kong close to the Central district and are expected to generate steady and recurring stream of income for the Group. The completion date of the acquisition of the investment properties was 30 November 2018 and total costs capitalized were US$8,774,000.

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 Grade A office premises located in one of the very prime 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. During the year, the Group paid HK$4,649,000 (approximately US$596,000) in respect of the acquisition of the investment property, and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was HK$26,344,000 (approximately US$3,377,000).

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.

10. Financial assets at fair value through OCI

	31/12/2018 (Unaudited) *US$'000*
Unlisted equity investments	
Co-investment in a property project	**4,846**
Change in fair value[1]	**(295)**
	4,551
Unlisted club membership	
At 1 January, reclassified upon the adoption of IFRS 9 and HKFRS 9	**376**
Change in fair value[2]	**14**
	390
	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.

On 20 April 2018, a wholly owned subsidiary of the Company (the "Co-Investor") entered into an instrument of transfer of Dual Bliss Limited ("Dual Bliss") among the Co-Investor, the Investment Manager, Triple Smart Limited and Total Surplus Holdings Limited ("Total Surplus") (the "Transfer Document"), pursuant to which the Co-Investor shall acquire from Total Surplus 34.5901% of the issued non-voting participating class A shares of Dual Bliss at an amount equal to the Co-Investor's respective proportion of the capital contributions made by Total Surplus to Dual Bliss with interest and become liable to its attributable portion of the obligations relating to Total Surplus's participation in Dual Bliss of US$10,000,000. The objective of Dual Bliss is to give third party investors the opportunity to co-invest in a Shanghai property project with a holding period of the investment of approximately 5 years. To partially diversify the Group's maritime related core business which is highly cyclical in nature, the Board decides to invest a small proportion of the Group's capital into non-maritime related investment. The target market of the co-investment opportunity is focused on Shanghai, China. In light of the long term growth potential of such market, the Board is of the view that such diversification will be beneficial in the long term capital return and development of the Group. Taking into account the abovementioned factors, the Board considers that the terms and conditions of the co-investment are fair and reasonable and on normal commercial terms and are in the interests of the Company and its shareholders as a whole. Pursuant to the co-investment documents, 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$4,827,000 in accordance with the terms and conditions of the co-investment documents and with interest of US$19,000 capitalized.

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.

Upon the adoption of IFRS 9 and HKFRS 9: Financial Instruments, the Group's investment in unlisted club membership classified as available-for-sale financial assets as at 31 December 2017 are reclassified to financial assets at fair value through other comprehensive income ("OCI") with effect from 1 January 2018. 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. There was no transfer among the three levels of the fair value hierarchy during the year.

11. Financial assets at fair value through profit or loss

	31/12/2018	31/12/2017
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Held for trading		
Listed equity securities	**34,928**	19,336
Listed debt securities	**4,355**	4,442
	39,283	23,778
Designated as such upon initial recognition:		
Equity linked notes	**560**	-
	39,843	23,778

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 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.

12. Bank balances and cash

	31/12/2018	31/12/2017
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**49,268**	64,742
Bank deposits with more than three months to maturity when placed	**-**	13,400
	49,268	78,142

13. Share capital

	31/12/2018		31/12/2017	
	Number of ordinary shares of US$0.05 each	**Amount (Unaudited)**	Number of ordinary shares of US$0.05 each	Amount (Audited)
		US$'000		*US$'000*
Issued and fully paid:				
At 1 January	**109,258,943**	**5,463**	84,045,341	4,202
Issue of new shares upon rights issue	**-**	**-**	25,213,602	1,261
	109,258,943	**5,463**	109,258,943	5,463

The Company announced on 3 July 2017 to carry out a rights issue raising up to NOK 201,708,816 in gross proceeds through the issuance of up to 25,213,602 new shares at a subscription price of NOK 8.00 per share where the shareholders in the Company as per the end of 4 July 2017 and registered with the VPS, the Norwegian Central Securities Depository on 6 July 2017 shall have preferential rights to subscribe for the new shares (the "Rights Issue"). The Rights Issue had been completed on 2 August 2017 and the Company's new total issued share capital is US$5,462,947.15 divided into 109,258,943 shares, each with a nominal value of US$0.05.

14. Secured bank loans

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

	31/12/2018	31/12/2017
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Within one year	**24,506**	60,925
In the second year	**8,434**	35,139
In the third to fifth year	**40,691**	41,761
Wholly repayable within five years	**73,631**	137,825
After the fifth year	**16,552**	-
Total secured bank loans	**90,183**	137,825
Less: Amount repayable within one year	**(24,506)**	(60,925)
Amount repayable after one year	**65,677**	76,900

An intercreditor deed (the "ICD") forming between the Group and major lenders was executed in December 2016. Pursuant to the terms of the ICD, the Group shall pay 50% of each repayment installment during the forbearance period until 31 December 2018 (with early restructuring exit option) and the remaining 50% of each such installment be deferred and repaid after the end of the forbearance period in 2019. The ICD specified that an assessment of the Group's liquidity and financial capability would be completed in December 2017 to decide whether to continue or exit the forbearance period on 31 December 2017. As the Group fulfilled the liquidity and financial capability assessment, we received consent from respective lenders to exit and end the ICD on 31 December 2017.

During the year, the Group had drawn new secured bank loans of US$41,384,000 which included refinancing of certain vessels, revolving loans for working capital purpose and property mortgage loans for its investment properties. The Group repaid US$89,026,000 that included repayment of all deferred installments for those loans restructured during the forbearance period of US$31,407,000 to respective lenders, repayment of vessel mortgage loans and repayment of revolving loans. The Group's total secured bank loans dropped from US$137,825,000 as of 31 December 2017 to US$90,183,000 on 31 December 2018.

15. Capital expenditures and commitments

During the year, capital expenditure on additions of property, plant and equipment was US$5,218,000 (2017: US$4,976,000) and on investment properties was US$8,774,000 (2017: 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 year, the Co-Investor paid 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$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 Grade A office premises located in one of the very prime 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. During the year, the Group paid HK$4,649,000 (approximately US$596,000) in respect of the acquisition of the investment property, and as at the reporting date, 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$8,550,000 (2017: nil).

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 31/12/2018	3 months ended 31/12/2017	**Year ended 31/12/2018**	Year ended 31/12/2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
Salaries and other benefits	**2,376**	1,746	**7,246**	4,665
Contributions to retirement benefits schemes	**90**	49	**360**	198
	2,466	1,795	**7,606**	4,863

17. Events after the reporting date

Subsequent to the reporting date, the Group entered into an agreement on 2 January 2019 to dispose a Supramax of deadweight 50,209 metric tons at a consideration of US$7,381,000, which will be delivered to the purchaser on or before 31 March 2019. The Group would realize a book gain of approximately US$1,168,000 on the disposal of the vessel. However, the actual book gain which the Group would realize upon completion of the disposal of the vessel will depend on the actual net book value of the vessel and the actual costs of disposal being incurred as at date of delivery.

For financial reporting purposes, the vessel was reclassified to "Assets held for sale" in accordance with IFRS 5 and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The Directors believe that the disposal of the vessel would enable the Group to enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio and reduce our exposure in operational risk in the unpredictable and volatile market environment.

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JINHUI

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