



# **JINHUI SHIPPING AND TRANSPORTATION LIMITED**

**First Quarter Report  
For the quarter ended  
31 March 2020**

# HIGHLIGHTS

For the First Quarter of 2020

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➤ Revenue for the quarter: US\$9 million

➤ Net loss for the quarter: US\$18 million

➤ Basic loss per share: US\$0.168

➤ Gearing ratio as at 31 March 2020: 23%

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 ended 31 March 2020.

## **FIRST QUARTER RESULTS**

Revenue for the first quarter of 2020 decreased 28% to US\$9,214,000, comparing to US\$12,765,000 for the corresponding quarter in 2019. The Company recorded a consolidated net loss of US\$18,371,000 for current quarter as compared to a consolidated net profit of US\$1,965,000 for the corresponding quarter in 2019. The consolidated net loss is mainly attributable to (1) poor business sentiment as affected by the outbreak of the Coronavirus Disease 2019 (“COVID-19”) pandemic leading to a reduction in chartering freight and hire revenue and decrease in fleet utilization rate; (2) the significant unrealized fair value loss on financial assets at fair value through profit or loss of US\$10 million amid the COVID-19 pandemic that triggered an adverse global financial markets sell off in early 2020; and (3) an increase in shipping related expenses, in particular the bunker related expenses of US\$5 million as a result of both a bunker fuel price slump as well as an increase in bunker consumption due to positioning of owned vessels in between time charter contracts of vessels. Basic loss per share was US\$0.168 for the first quarter of 2020 while basic earnings per share was US\$0.018 for the corresponding quarter in 2019.

## **INTERIM DIVIDEND**

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 31 March 2020.

## **REVIEW OF OPERATIONS**

**First Quarter of 2020.** In the first quarter of 2020, the very unexpected and unfortunate outbreak of the COVID-19 was regarded as posing moderate public health risk to start off with, but as the velocity at which the virus spread exceeded experts’ expectations, the World Health Organization (“WHO”) declared COVID-19 outbreak as pandemic in March 2020 as it has affected initially China, then rapidly affected regionally and globally across different countries. This negative backdrop translated to much reduced demand for dry bulk commodities including iron ore, coal and certain minor bulk cargoes and impacted sentiment in the dry bulk shipping market given the sudden erosion in business confidence. Baltic Dry Index (“BDI”) opened at 1,090 points at the beginning of January and closed at 626 points by the end of March. The average of BDI of the first quarter of 2020 was 592 points, which compares to 798 points in the same quarter in 2019.

Revenue for the first quarter of 2020 was US\$9,214,000 representing a decrease of 28% as compared to US\$12,765,000 for the same quarter in 2019. The decrease in revenue for the quarter was mainly due to the decrease in market freight rates in the first quarter and decrease in fleet utilization rate. The average daily time charter equivalent rates (“TCE”) earned by the Group’s owned vessels decrease 30% to US\$5,349 for the first quarter of 2020 as compared to US\$7,658 for the corresponding quarter in 2019. The fleet utilization rate of the Group’s owned vessels also dropped from 99% in the first quarter of 2019 to 96% in the first quarter of 2020.

<b>Average daily TCE of owned vessels</b>	<b>Q1 2020</b> <i>US\$</i>	Q1 2019 <i>US\$</i>	2019 <i>US\$</i>
Post-Panamax fleet	<b>8,223</b>	6,262	9,628
Supramax fleet	<b>5,007</b>	7,827	9,522
In average	<b>5,349</b>	7,658	9,533

During the quarter, the Group had entered into voyage charters to maximize potential business opportunity and freight income earned for the quarter was US\$704,000. These voyage charters were carried out by certain chartered-in vessels which were leased in under short-term leases less than 12 months and all these leases were completed in April 2020.

Other operating income decreased from US\$5,161,000 for the first quarter of 2019 to US\$1,064,000 for the first quarter of 2020 due to no settlement income and net gain on financial assets at fair value through profit or loss were recognized in the current quarter. Other operating income for the first quarter of 2019 included net gain of US\$2,750,000 on financial assets at fair value through profit or loss, settlement income of US\$614,000 from a charterer in relation to repudiation claims and net gain of US\$608,000 on disposal of assets held for sale (disposed vessels).

Interest income increased from US\$665,000 for the first quarter 2019 to US\$1,429,000 for the current quarter. The increase was attributable to the interest income arising from the stable interest income generated from loan receivables which were asset-based financing that help mitigate cyclicity from core shipping business.

Shipping related expenses increased from US\$7,678,000 for the first quarter of 2019 to US\$11,363,000 for the current quarter. The increase was mainly included the bunker related expenses of US\$5 million as a result of both price loss on bunker fuel on-board of the Group's owned vessels due to bunker fuel price slump as well as an increase in bunker consumption due to positioning of owned vessels in between time charter contracts of vessels. Daily vessel running cost remained at US\$3,460 for the first quarter of 2020 as compared to US\$3,459 for the first 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\$1,169,000 for the first quarter of 2019 to US\$11,034,000 for the current quarter due to the Group recorded net loss of US\$9,742,000 on financial assets at fair value through profit or loss for the first quarter of 2020 as compared to net gain of US\$2,750,000 which was included in other operating income for the corresponding quarter in 2019. The net loss of US\$9,742,000 on financial assets at fair value through profit or loss comprised of a realized gain of US\$309,000 upon disposal of certain equity and debt securities during the quarter, and an unrealized fair value loss of US\$10,051,000 on financial assets at fair value through profit or loss amid the COVID-19 pandemic that triggered an adverse global financial markets sell off in early 2020.

Finance costs increased from US\$978,000 for the first quarter of 2019 to US\$1,093,000 for the first quarter of 2020. The increase was mainly attributable to the rising interest rate and the increase in new secured bank loans as compared with that of the corresponding quarter in 2019.

## FINANCIAL REVIEW

During the quarter, capital expenditure on additions of property, plant and equipment was US\$533,000 (31/3/2019: US\$333,000). During the first quarter of 2019, there was also capital expenditure on additions of investment properties of US\$4,330,000.

Pursuant to the co-investment documents, a wholly owned subsidiary of the Company (the “Co-Investor”) entered into the co-investment documents to co-invest in a property project in Tower A of One Financial Street Center, Jing’an Central Business District, Shanghai, the PRC (the “Tower A” or previously named as “T3 Property”), pursuant to which the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss Limited (“Dual Bliss”), the holding company of the co-investment vehicle, of US\$10,000,000. During the quarter, the Co-Investor paid US\$1,420,000 (31/3/2019: US\$68,000) in accordance with the terms and conditions of the co-investment documents and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$1,075,000 (31/12/2019: US\$2,495,000). The Co-Investor further provided additional US\$4,276,915 (31/3/2019: nil) as Co-Investment supplemental capital call in early February 2020 pursuant to a supplemental memorandum signed on 31 January 2020 for acquiring 4,276,915 issued non-voting participating class A shares of Dual Bliss (the “Co-Investment Supplemental Capital Call”). In March 2020, the Co-Investor received a total of US\$4,276,915 under the share repurchase scheme, the 4,276,915 issued non-voting participating class A shares of Dual Bliss under the Co-Investment Supplemental Capital Call had been repurchased and cancelled.

The Group’s total secured bank loans decreased from US\$133,915,000 as of 31 December 2019 to US\$129,722,000 as at 31 March 2020, of which 51%, 12%, 35% and 2% 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 loans and property mortgage loans that were denominated in Hong Kong Dollars and United States Dollars. All bank borrowings were committed on floating rate basis.

During the quarter, cash used in operations before changes in working capital was US\$15,080,000 (31/3/2019: cash generated from operations before changes in working capital was US\$5,342,000) and the net cash from operating activities after working capital changes was US\$2,016,000 (31/3/2019: net cash used in operating activities after working capital changes was US\$32,249,000). The changes in working capital are mainly attributable to the decrease in equity and debt securities and loan receivables in respect of the six facility agreements. During the quarter, the Group’s net loss on financial assets at fair value through profit or loss was US\$9,742,000 (31/3/2019: net gain of US\$2,750,000 on financial assets at fair value through profit or loss) and the aggregate interest income and dividend income from financial assets was US\$1,476,000 (31/3/2019: US\$887,000). During the quarter, the Group had drawn new revolving loans and term loan of US\$15,908,000 (31/3/2019: US\$33,235,000) and repaid US\$20,101,000 (31/3/2019: US\$6,791,000).

As at 31 March 2020, the Group maintained positive working capital position of US\$18,244,000 (31/12/2019: US\$34,458,000) and the total of the Group's equity and debt securities, bank balances and cash decreased to US\$76,952,000 (31/12/2019: US\$97,662,000).

The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, increased to 23% (31/12/2019: 14%) as at 31 March 2020. With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements. As at 31 March 2020, the Group is able to service its debt obligations, including principal and interest payments.

## FLEET

### Owned Vessels

As at 31 March 2020 and 28 May 2020, the Group had eighteen owned vessels as follows:

	Number of owned vessels
Post-Panamax fleet	2
Supramax fleet	16
<b>Total fleet</b>	<b>18</b>

## 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 first quarter of 2020 continues with a slowing in activity as Chinese New Year approached. Unfortunately, this year the seasonal weakness has been further amplified by a black swan event - the COVID-19 global pandemic, which soon caused worldwide concerns over the magnitude of threat it means to human lives. The pandemic also triggered a series of negative financial events across multiple industries across the economic chain, from retail, tourism, transportation, financial and commodities due to the necessary but painful decisions where governments of many countries had to implement the lockdown of cities to prevent further spread of the deadly virus at the expense of disrupting normal daily routines and economic activity.

Events as such that causes global public health concern worldwide means market participants of all industries remain to be very nervous. This negative backdrop translated to much reduced activity in the dry bulk shipping market given the sudden erosion in business confidence.

As of today, people across the globe remains to be highly alert albeit business activity across all industries began to show early signs of reversion to normality in selected countries who have managed to have largely got their domestic situation under control.

On a positive note, we have been vigilant on this front as a company in making sure our operations, as well as our colleagues at shore or at sea are in no way negatively affected by the COVID-19. We have adopted policies to ensure all our colleagues are healthy and remain positive in order to take action as soon as the market conditions pick up. We are cautiously optimistic that business activity will resume sooner than later, as governments and public health authorities around the world gain increased control over the spread of the COVID-19 in the coming days.

China is the biggest importer of raw materials by far given its important role in the global manufacturing supply chain. We remain cautiously optimistic that business and industrial activity will resume in China sooner rather than later. At this juncture, we see people are beginning to head back to work in orderly batches, with exceptionally high alert in public hygiene and the necessary protocols in place at work places. We hope this resumption to work in an orderly fashion will continue without much new negative surprises, and hence global trade will begin to revert to normal.

While we have full confidence in mankind's capacity to respond to events and shape their futures for the better, we have to be mindful that increasingly frequent economic, political, or other unforeseen surprises can introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. We currently have no capital expenditure commitment in relation to newbuilding contracts, as well as no charter-in contracts at this juncture, and will continue to focus on taking sensible and decisive actions to maintain a strong financial position.

On behalf of the Board of Directors of the Company, I would like to express our heartfelt appreciation to all customers and stakeholders for their ongoing support.

## **PUBLICATION OF FINANCIAL INFORMATION**

This report is available on the website of the Company at [www.jinhuiship.com](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, consisting of several overlapping loops and a horizontal line at the end.

**Ng Siu Fai**

*Chairman*

29 May 2020



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

		<b>3 months ended 31/3/2020 (Unaudited) US\$'000</b>	3 months ended 31/3/2019 (Unaudited) US\$'000	Year ended 31/12/2019 (Audited) US\$'000
	<i>Note</i>			
<b>Revenue</b>	2	<b>9,214</b>	12,765	63,160
Net gain on disposal of owned vessels		-	-	90
Other operating income	3	<b>1,064</b>	5,161	7,855
Interest income	4	<b>1,429</b>	665	3,694
Shipping related expenses		<b>(11,363)</b>	(7,678)	(32,684)
Staff costs		<b>(2,914)</b>	(2,905)	(12,339)
Other operating expenses		<b>(11,034)</b>	(1,169)	(5,596)
<b>Operating profit (loss) before depreciation and amortization</b>		<b>(13,604)</b>	6,839	24,180
Depreciation and amortization		<b>(3,674)</b>	(3,896)	(15,362)
<b>Operating profit (loss)</b>		<b>(17,278)</b>	2,943	8,818
Finance costs		<b>(1,093)</b>	(978)	(4,323)
<b>Profit (Loss) before taxation</b>		<b>(18,371)</b>	1,965	4,495
Taxation	7	-	-	-
<b>Net profit (loss) for the period / year</b>		<b>(18,371)</b>	1,965	4,495
<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>126</b>	2	(684)
Change in fair value arisen from reclassification from leasehold land and buildings to investment properties		-	-	476
<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)		-	-	(25)
<b>Total comprehensive income (loss) for the period / year attributable to shareholders of the Company</b>		<b>(18,245)</b>	1,967	4,262
<b>Earnings (Loss) per share</b>	8			
- Basic and diluted		<b>US\$(0.168)</b>	US\$0.018	US\$0.041

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>31/3/2020</b>	31/3/2019	31/12/2019
		<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<i>Note</i>	<b>US\$'000</b>	<i>US\$'000</i>	<i>US\$'000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		<b>202,880</b>	214,621	206,021
Investment properties	10	<b>30,138</b>	28,663	30,138
Financial assets at fair value through OCI	11	<b>8,456</b>	5,011	6,910
Loan receivables	12	<b>38,774</b>	2,921	40,044
		<b>280,248</b>	251,216	283,113
<b>Current assets</b>				
Inventories		<b>2,370</b>	454	1,613
Loan receivables	12	<b>4,967</b>	1,460	4,891
Trade and other receivables		<b>10,488</b>	13,435	10,717
Financial assets at fair value through profit or loss	13	<b>45,480</b>	78,051	64,071
Pledged deposits		<b>4,489</b>	4,296	8,437
Bank balances and cash		<b>35,348</b>	41,575	33,591
		<b>103,142</b>	139,271	123,320
<b>Total assets</b>		<b>383,390</b>	390,487	406,433
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Issued capital		<b>5,463</b>	5,463	5,463
Reserves		<b>228,994</b>	247,457	247,239
<b>Total equity</b>		<b>234,457</b>	252,920	252,702
<b>Non-current liabilities</b>				
Secured bank loans	14	<b>64,035</b>	63,528	64,869
<b>Current liabilities</b>				
Trade and other payables		<b>19,092</b>	20,856	19,689
Amount due to holding company		<b>119</b>	84	127
Secured bank loans	14	<b>65,687</b>	53,099	69,046
		<b>84,898</b>	74,039	88,862
<b>Total equity and liabilities</b>		<b>383,390</b>	390,487	406,433

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital (Unaudited) US\$'000	Share premium (Unaudited) US\$'000	Capital redemption reserve (Unaudited) US\$'000	Contributed surplus (Unaudited) US\$'000	Revaluation reserve (Unaudited) US\$'000	Reserve for financial assets at fair value through OCI (Unaudited) US\$'000	Retained profits (Unaudited) US\$'000	Total equity (Unaudited) US\$'000
At 1 January 2019	5,463	95,585	719	16,297	-	(243)	133,132	250,953
<b>Comprehensive income</b>								
Net profit for the period	-	-	-	-	-	-	1,965	1,965
<b>Other comprehensive income</b>								
Change in fair value of financial assets at fair value through OCI	-	-	-	-	-	2	-	2
<b>Total comprehensive income for the period</b>	-	-	-	-	-	2	1,965	1,967
At 31 March 2019	5,463	95,585	719	16,297	-	(241)	135,097	252,920
At 1 January 2020	5,463	95,585	719	16,297	476	(952)	135,114	252,702
<b>Comprehensive loss</b>								
Net loss for the period	-	-	-	-	-	-	(18,371)	(18,371)
<b>Other comprehensive income</b>								
Change in fair value of financial assets at fair value through OCI	-	-	-	-	-	126	-	126
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	126	(18,371)	(18,245)
At 31 March 2020	5,463	95,585	719	16,297	476	(826)	116,743	234,457

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>3 months ended 31/3/2020 (Unaudited) US\$'000</b>	3 months ended 31/3/2019 (Unaudited) US\$'000	Year ended 31/12/2019 (Audited) US\$'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from (used in) operations before changes in working capital	<b>(15,080)</b>	5,342	18,316
Decrease (Increase) in working capital	<b>18,248</b>	(36,645)	(58,067)
Cash generated from (used in) operations	<b>3,168</b>	(31,303)	(39,751)
Interest paid	<b>(1,152)</b>	(946)	(4,347)
<b>Net cash from (used in) operating activities</b>	<b>2,016</b>	(32,249)	(44,098)
<b>INVESTING ACTIVITIES</b>			
Interest received	<b>1,892</b>	501	2,722
Dividend income received	<b>47</b>	222	1,862
Purchase of property, plant and equipment	<b>(533)</b>	(333)	(8,942)
Purchase of investment properties	<b>-</b>	(4,330)	(5,195)
Payment of unlisted equity investments	<b>(1,420)</b>	(68)	(2,678)
Proceeds from disposal of property, plant and equipment, net	<b>-</b>	-	1,454
Proceeds from disposal of assets held for sale, net	<b>-</b>	2,990	2,990
<b>Net cash used in investing activities</b>	<b>(14)</b>	(1,018)	(7,787)
<b>FINANCING ACTIVITIES</b>			
New secured bank loans	<b>15,908</b>	33,235	79,752
Repayment of secured bank loans	<b>(20,101)</b>	(6,791)	(36,020)
Decrease (Increase) in pledged deposits	<b>3,948</b>	(870)	(5,011)
Dividends paid to shareholders of the Company	<b>-</b>	-	(2,513)
<b>Net cash from (used in) financing activities</b>	<b>(245)</b>	25,574	36,208
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,757</b>	(7,693)	(15,677)
<b>Cash and cash equivalents at beginning of the period / year</b>	<b>33,591</b>	49,268	49,268
<b>Cash and cash equivalents at end of the period / year</b>	<b>35,348</b>	41,575	33,591

## NOTES:

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and have not been reviewed by our auditor, Grant Thornton Hong Kong Limited. The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2019, except for the Group has adopted the newly issued and amended International Financial Reporting Standards (“IFRS”) and Hong Kong Financial Reporting Standards (“HKFRS”), which are effective for the annual period beginning on 1 January 2020. The adoption of 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 freight and hire income arising from the Group’s owned and chartered-in vessels. Revenue recognized during the periods / year are as follows:

	<b>3 months ended 31/3/2020 (Unaudited) US\$’000</b>	3 months ended 31/3/2019 (Unaudited) US\$’000	Year ended 31/12/2019 (Audited) US\$’000
Chartering freight and hire income:			
Hire income under time charters <sup>1</sup>	<b>8,510</b>	12,765	63,160
Freight income under voyage charters <sup>2</sup>	<b>704</b>	-	-
	<b>9,214</b>	12,765	63,160

Notes:

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

During the quarter, the Group had entered into voyage charters to maximize potential business opportunity and freight income earned for the quarter was US\$704,000. These voyage charters were carried out by certain chartered-in vessels which were leased in under short-term leases less than 12 months and all these leases were completed in April 2020.

### 3. Other operating income

	<b>3 months ended 31/3/2020 (Unaudited) US\$'000</b>	3 months ended 31/3/2019 (Unaudited) US\$'000	Year ended 31/12/2019 (Audited) US\$'000
Net gain on financial assets at fair value through profit or loss	-	2,750	1,498
Other shipping operating income	<b>820</b>	796	2,327
Gross rental income from operating leases on investment properties	<b>139</b>	47	435
Dividend income	<b>47</b>	222	1,929
Settlement income in relation to repudiation claims	-	614	614
Net gain on disposal of assets held for sale	-	608	608
Sundry income	<b>58</b>	124	444
	<b>1,064</b>	5,161	7,855

### 4. Interest income

	<b>3 months ended 31/3/2020 (Unaudited) US\$'000</b>	3 months ended 31/3/2019 (Unaudited) US\$'000	Year ended 31/12/2019 (Audited) US\$'000
Interest income in respect of:			
Financial assets at fair value through profit or loss	<b>385</b>	374	2,179
Deposits with banks and other financial institutions	<b>90</b>	230	613
Interest-bearing note and loan receivables	<b>954</b>	61	902
	<b>1,429</b>	665	3,694

### 5. Other operating expenses

Other operating expenses for the first quarter of 2020 mainly included net loss of US\$9,742,000 on financial assets at fair value through profit or loss (31/3/2019: net gain of US\$2,750,000 on financial assets at fair value through profit or loss included in other operating income), professional fee of US\$219,000 (31/3/2019: US\$121,000) and directors' fee of US\$194,000 (31/3/2019: US\$194,000).

Other operating expenses for the year 2019 mainly included professional fee of US\$1,091,000, directors' fee of US\$777,000, change in fair value of investment properties of US\$245,000 and bad debts written off of US\$214,000.

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

This is stated after charging / (crediting):

	<b>3 months ended 31/3/2020 (Unaudited) US\$'000</b>	3 months ended 31/3/2019 (Unaudited) US\$'000	Year ended 31/12/2019 (Audited) US\$'000
Realized gain on financial assets at fair value through profit or loss	<b>(309)</b>	(1,010)	(568)
Unrealized loss (gain) on financial assets at fair value through profit or loss	<b>10,051</b>	(1,740)	(930)
Net loss (gain) on financial assets at fair value through profit or loss	<b>9,742</b>	(2,750)	(1,498)
Reversal of impairment loss on trade and other receivables	-	(2)	(2)

## 7. Taxation

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

## 8. Earnings (Loss) per share

	<b>3 months ended 31/3/2020 (Unaudited)</b>	3 months ended 31/3/2019 (Unaudited)	Year ended 31/12/2019 (Audited)
Weighted average number of ordinary shares in issue	<b>109,258,943</b>	109,258,943	109,258,943
Net profit (loss) attributable to shareholders of the Company (US\$'000)	<b>(18,371)</b>	1,965	4,495
Basic and diluted earnings (loss) per share	<b>US\$(0.168)</b>	US\$0.018	US\$0.041

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

## 9. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the quarter ended 31 March 2020 (31/3/2019: nil).

## 10. Investment properties

	<b>31/3/2020</b>	31/3/2019	31/12/2019
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>US\$'000</b>	US\$'000	US\$'000
At 1 January	<b>30,138</b>	24,333	24,333
Additions	-	4,330	5,195
Reclassification from leasehold land and buildings	-	-	855
Change in fair value	-	-	(245)
	<b>30,138</b>	28,663	30,138

The Group's investment properties were stated at fair value and comprised of premises and car parks held under operating leases to earn rentals or held for capital appreciation, or both. These premises and car parks are held under long term leases.

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



## 11. Financial assets at fair value through OCI

	<b>31/3/2020</b>	31/3/2019	31/12/2019
	<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>6,545</b>	4,551	4,551
Additions	<b>1,420</b>	68	2,678
Addition of investment under Special Capital Call <sup>3</sup>	<b>4,277</b>	-	-
Disposal of investment under share repurchase scheme <sup>4</sup>	<b>(4,277)</b>	-	-
Change in fair value <sup>1</sup>	<b>126</b>	2	(684)
	<b>8,091</b>	4,621	6,545
Unlisted club membership			
At 1 January	<b>365</b>	390	390
Change in fair value <sup>2</sup>	<b>-</b>	-	(25)
	<b>365</b>	390	365
	<b>8,456</b>	5,011	6,910

### Notes:

- Items that will not be reclassified to profit or loss.
- Items that may be reclassified subsequently to profit or loss.
- A wholly-owned subsidiary of the Company (the "Co-Investor") provided additional US\$4,276,915 (31/3/2019: nil) as Co-Investment supplemental capital call in early February 2020 pursuant to a supplemental memorandum (the "Memorandum") signed on 31 January 2020 for acquiring 4,276,915 issued non-voting participating class A shares of Dual Bliss Limited (the "Co-Investment Supplemental Capital Call"). This Co-Investment Supplemental Capital Call was required for all shareholders of Dual Bliss Limited ("Dual Bliss") and all other investors of the Co-Investment in Tower A of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC (the "Tower A" or previously named as "T3 Property") on a pro rata basis for the purpose of temporarily funding the unwinding of intercompany loan receivable/payable of the wholly-owned foreign-owned subsidiaries and onshore subsidiaries within the existing structure of the Co-Investment Vehicle by the special funding (the "Special Fund") from this Co-Investment Supplemental Capital Call in order to obtain banking facilities under PRC regulations for the Co-Investment. The unwinding exercise was a condition precedent for the bank loan drawdown.

Subject to all applicable PRC governmental and regulatory approvals, the wholly-owned foreign-owned subsidiaries and onshore subsidiaries within the existing structure of the Co-Investment Vehicle used the Special Fund to unwind the intercompany loan receivable/payable and upon the fulfilment of the condition precedent for successful drawdown of the bank loan facilities, the Special Fund had remitted back to respective shareholders in proportion to the shareholdings under a mandatory share repurchase scheme mechanism under the Memorandum.

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

Pursuant to the co-investment documents, the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss, the holding company of the co-investment vehicle, of US\$10,000,000. During the quarter, the Co-Investor paid US\$1,420,000 (31/3/2019: US\$68,000) in accordance with the terms and conditions of the co-investment documents.

There is no quoted market price in active market for unlisted equity investments. Transactions in such investments do not occur on a regular basis. The Group uses its net asset value to determine its fair value as the Group determined that this is the fair price at which shareholders subscribe and redeem the investments or determined its fair value with generally accepted pricing models. The fair value measurement of unlisted equity investments was categorized as Level 3 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the periods / year.

Unlisted club membership stated at fair value represented investment in club membership which their fair values can be determined directly by reference to published price quotation in active market and were categorized as Level 1 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the periods / year.

## 12. Loan receivables

	<b>31/3/2020</b>	31/3/2019	31/12/2019
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>US\$'000</b>	US\$'000	US\$'000
At 1 January	<b>44,935</b>	-	-
Gross new loan originated	-	4,381	46,381
Repayment	<b>(1,194)</b>	-	(1,446)
Provision of individual impairment	-	-	-
Loan receivables, net of provision	<b>43,741</b>	4,381	44,935
Less: Amount receivable within one year	<b>(4,967)</b>	(1,460)	(4,891)
Amount receivable after one year	<b>38,774</b>	2,921	40,044

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

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

	<b>31/3/2020</b>	31/3/2019	31/12/2019
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>US\$'000</b>	US\$'000	US\$'000
<i>Held for trading</i>			
Listed equity securities	<b>32,842</b>	55,998	41,536
Listed debt securities	<b>8,762</b>	21,419	22,535
	<b>41,604</b>	77,417	64,071
<i>Designated as such upon initial recognition:</i>			
Equity linked notes	<b>3,626</b>	634	-
Investment funds	<b>250</b>	-	-
	<b>45,480</b>	78,051	64,071

At the reporting date, the fair value measurements of listed equity securities and listed debt securities were determined by reference to their quoted bid prices in active markets and were categorized as Level 1 and the fair value measurements of equity linked notes and investment funds represented the quoted market prices on the underlying investments provided by financial institutions and were categorized as Level 2 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13. There was no transfer among the three levels of the fair value hierarchy during the periods / year.

#### 14. Secured bank loans

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

	<b>31/3/2020</b>	31/3/2019	31/12/2019
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>US\$'000</b>	US\$'000	US\$'000
Within one year	<b>65,687</b>	53,099	69,046
In the second year	<b>15,302</b>	8,443	13,880
In the third to fifth year	<b>46,580</b>	41,736	46,213
Wholly repayable within five years	<b>127,569</b>	103,278	129,139
After the fifth year	<b>2,153</b>	13,349	4,776
Total secured bank loans	<b>129,722</b>	116,627	133,915
Less: Amount repayable within one year	<b>(65,687)</b>	(53,099)	(69,046)
Amount repayable after one year	<b>64,035</b>	63,528	64,869

During the quarter, the Group had drawn new revolving loans and term loan of US\$15,908,000 (31/3/2019: US\$33,235,000) and repaid US\$20,101,000 (31/3/2019: US\$6,791,000).

#### 15. Capital expenditures and commitments

During the quarter, capital expenditure on additions of property, plant and equipment was US\$533,000 (31/3/2019: US\$333,000). During the first quarter of 2019, there was also capital expenditure on additions of investment properties of US\$4,330,000.

Pursuant to the co-investment documents, the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss, the holding company of the co-investment vehicle, of US\$10,000,000. During the quarter, the Co-Investor paid US\$1,420,000 (31/3/2019: US\$68,000) in accordance with the terms and conditions of the co-investment documents and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$1,075,000 (31/12/2019: US\$2,495,000).

## 16. Related party transactions

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

	<b>3 months ended 31/3/2020 (Unaudited) US\$'000</b>	3 months ended 31/3/2019 (Unaudited) US\$'000	Year ended 31/12/2019 (Audited) US\$'000
Salaries and other benefits	1,942	1,949	8,127
Contributions to retirement benefits schemes	111	111	443
	<b>2,053</b>	2,060	8,570

## 17. Events after the reporting date

### Coronavirus Disease 2019 (“COVID-19”)

With the outbreak of COVID-19 regionally and globally in late 2019 and early 2020, global economies were severely hit. Dry bulk shipping market has been no exception and market sentiment remain weak. Global capital markets also remain volatile, reflected in significant unrealized fair value loss of our investment profile over the periods. The Group's revenue and operating results for the upcoming interim period ending 30 June 2020 and year ending 31 December 2020 are subject to changes in market conditions. We will continue to monitor the evolving development of COVID-19 outbreak very closely to assess its impact to our business, revenue-generating assets' and investments' value and will keep all shareholders of the Company informed timely and accordingly.

### Co-Investment

In relation to the Co-Investment in a property project in Tower A of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC (the “Tower A” or previously named as “T3 Property”) as mentioned in note 11, the Co-Investor received updates from the Investment Manager on 19 and 26 May 2020 in relation to the status of the Co-Investment in Tower A and option to be considered by all Tower A investors. The Investment Manager advised that the property market in China has been significantly impacted by prolonged US-China trade war, and the cities lockdown due to the outbreak of COVID-19. The Shanghai commercial real estate sector has entered a bear market as the supply-demand dynamic has shifted unfavorably which affect both capital value and rental offers. The Investment Manager advised that due to the tough real estate and capital markets, the property project in Tower A run into financial difficulties in closing the acquisition as banks intent to reduce its lending and the resulting funding gap which requires new equity injection, while it could be explored, is not economically feasible yet based on low projected return.

A similar situation applies to a sister-project in Tower B of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC (“Tower B”), which is owned by Tower B investors. Due to the tightening of the capital markets cause banks to reduce its lending and the difficulties in refinancing the offshore bridge loans, Tower A investors and Tower B investors may not able to close either Tower A or Tower B acquisitions and may run towards purchaser default situations. In the event of default, Tower A investors are contractually required to forfeit 20% of the Tower A's purchase price, and same situations apply to Tower B investors.

The Investment Manager has proposed an option, subject to the consensus of all investors in Tower A and Tower B, to procure a new buyer to acquire 100% of either Tower A or Tower B or both and in the event that, if only one tower is sold, the proceeds will be used to pay down the existing loan of the sold tower, with the remaining proceeds rolled over for the purpose of acquiring the remaining unpaid-for-portion of the remaining tower. This will result in the remaining tower being owned collectively by both Tower A investors and Tower B investors. This roll-over proposal will require the virtually unanimous approvals of all Tower A investors and Tower B investors, and the interest of the remaining tower's investors will be diluted by the amount reinvested by the realized tower's investors.

Based on the information provided by the Investment Manager, in the roll-over proposal, the projected returns on roll-over proposal, compared with other scenarios, would maximize all investors' chances at preserving the most capital, assuming the projected exit of the remaining tower will be in year 2025. When either Tower A or Tower B is being sold, the amount of remaining proceeds will be rolled over for the purpose of acquiring the remaining unpaid-for-portion of the remaining tower. The basis on which the proceeds will be reinvested shall be determined by a third-party auditor with an external valuer to determine the net asset value of the remaining tower.

If the Investment Manager is unable to obtain the required approval among the investors in Tower A and Tower B, or unable to procure a buyer for either of Tower A or Tower B, and bank financing nor new equity injection are not economically available, it would be very likely a default contract scenario would happen. Under this circumstance, the Investment Manager expects that the investors of Tower A are obliged to pay a maximum compensation of 20% of the purchase price of Tower A and this will result in a 74% loss on the invested equity for the Tower A investors. Accordingly, we expect an impairment loss on the Group's Co-Investment in Tower A in the default contract scenario if the required approval cannot be obtained, and impairment loss of approximately US\$7,400,000, being 74% loss on the committed equity investment of US\$10,000,000, will be recognized in the second quarter of 2020.

As the proposed option deviates from the original term in the Co-Investment Agreement, the Investment Manager is seeking consents from all investors in Tower A or responses by 3 June 2020. Up to the date of this announcement, the Group is still considering the financial and commercial impact and has not decided on the consent to the roll-over proposal. We will update all shareholders of the Company on the consensus and investment update timely and accordingly.



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