

Daily Vessel Costs

The cost of owning and operating dry bulk ships is the largest component of our Group's total costs, and our ability to maintain good control of our "daily vessel costs" has a significant bearing on our operating margins and our financial performance overall. We provide below a short analysis of our daily vessel costs for a better understanding of their components and development.

Owned Vessel Costs

Operating expenses – Our daily operating expenses ("Opex") increased by 4% and 3% for Handysize and Supramax respectively mainly due to increased costs of crewing, repair and maintenance, ballast water treatment systems ("BWTS") operation and IMO 2020 preparation. Our Opex remained at very competitive levels as a result of efficient management, good cost control and scale benefits, including operational and procurement cost efficiencies.

In the period, our fleet of owned vessels experienced on average 0.4 days (FY2018: 1.2 days) of unplanned technical off-hire per vessel.

Depreciation – Our depreciation costs (including capitalisation of dry-docking costs) were slightly increased principally due to installation of BWTS.

Finance costs – Our owned vessels' daily P/L and cash finance costs were US\$740 and US\$680 respectively for Handysize and US\$1,060 and US\$970 respectively for Supramax. The difference between the P/L and cash finance costs reflects the difference between the effective interest and coupon rate of our convertible bonds.

Daily cash cost – Our daily cash cost before G&A overheads for owned vessels was US\$4,700 and US\$4,860 (FY2018: US\$4,560 and US\$4,780) for Handysize fleet and Supramax fleet respectively.

	Handysize		Supramax	
	1H2019	FY2018	1H2019	FY2018
Vessel days	14,890	29,470	5,200	9,420
Vessel costs (US\$)				
Opex	4,020	3,880	3,890	3,780
Depreciation	2,830	2,790	3,270	3,220
Finance costs	740	740	1,060	1,090
Total	7,590	7,410	8,220	8,090

Chartered Vessel Costs

Adoption of HKFRS 16 "Leases"

Following the adoption of the new accounting standard HKFRS 16 "Leases" on 1 January 2019, all charter-in operating leases with a term over 12 months at the date of the adoption have been accounted for on balance sheet as right-of-use assets and lease liabilities. These operating lease expenses in the income statement have been replaced by a combination of the depreciation of right-of-use assets and interest expenses on lease liabilities (lease portion) and technical management service costs (non-lease portion). Operating leases with a term of up to 12 months are expensed on a straight-line basis over the lease term as before the adoption of HKFRS 16 "Leases".

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New accounting standard – HKFRS 16 "Leases"

Daily P/L cost – The daily P/L cost comprises the depreciation of right-of-use assets, interest expenses of lease liabilities, technical management service costs for leases over 12 months and operating lease expenses for leases of up to 12 months. The daily P/L costs in 2018 has not been restated following the adoption of HKFRS 16 "Leases".

Daily cash cost – The daily cash cost before G&A overheads represents the actual charter-hire payments under the terms of charter contracts. Our daily cash cost decreased to US\$9,240 and US\$11,090 (FY2018: US\$9,880 and US\$12,050) for our Handysize fleet and Supramax fleet respectively due to weaker market conditions.

	Handysize		Supramax	
	1H2019	FY2018	1H2019	FY2018
Long-term (>1 year)				
Vessel days	3,380	7,450	1,240	2,820
Average rate (US\$)				
P/L basis	10,380	8,600	12,570	11,530
Cash basis	11,030	9,840	13,070	12,260
Short-term and index-linked				
Vessel days	6,600	13,850	10,420	17,860
Average rate (US\$)				
P/L basis	8,320	9,890	10,860	12,010
Cash basis	8,320	9,890	10,860	12,010
Total chartered				
Vessel days	9,980	21,300	11,660	20,680
Average rate (US\$)				
P/L basis	9,020	9,440	11,040	11,950
Cash basis	9,240	9,880	11,090	12,050

Blended Costs

Our average blended owned and chartered daily P/L cost excluding G&A overheads was US\$8,160 and US\$10,170 (FY2018: US\$8,260 and US\$10,740) for Handysize fleet and Supramax fleet respectively.

General and Administrative ("G&A") Overheads

While reduced on a per-vessel basis, our total G&A overheads increased to US\$30.5 million (1H 2018: US\$28.4 million and FY2018: US\$59.8 million) due primarily to an increase in our staffing overheads. Spread across all our vessel days, these total G&A overheads translated into an improved daily cost of US\$730 (FY2018: US\$740) per ship, comprising US\$940 and US\$540 (FY2018: US\$950 and US\$540) per day for owned and chartered-in ships respectively.

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Expenses by Nature

Analysis of our costs including general and administrative overheads