

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**JINHUI HOLDINGS COMPANY LIMITED**

**金輝集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

Stock Code : 137

**INTERIM RESULTS**

**FOR THE SIX MONTHS ENDED 30 JUNE 2014**

# HIGHLIGHTS

## FOR THE FIRST HALF OF 2014

- Revenue for the period: HK\$715 million
- Net loss attributable to shareholders for the period: HK\$15 million
- Basic loss per share: HK\$0.029
- Gearing ratio as at 30 June 2014: 22%

## **CHAIRMAN'S STATEMENT**

The Board is pleased to present the interim results of **Jinhui Holdings Company Limited** (the "Company") and its subsidiaries (the "Group") for the six months ended 30 June 2014.

### **INTERIM RESULTS**

The Group's revenue for the first half of 2014 was HK\$715,414,000 whereas HK\$975,278,000 was reported in the same period of 2013. The net loss attributable to shareholders of the Company for the first half of 2014 was HK\$15,482,000 as compared to a net profit of HK\$13,069,000 for the first half of 2013.

Basic loss per share was HK\$0.029 for the six months ended 30 June 2014 as compared to basic earnings per share of HK\$0.025 for the last corresponding period in 2013.

### **INTERIM DIVIDEND**

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2014 (30/6/2013: nil).

### **BUSINESS REVIEW**

**Chartering freight and hire.** The Group operates its worldwide shipping activities through Jinhui Shipping and Transportation Limited, an approximately 54.77% owned subsidiary of the Company, whose shares are listed on the Oslo Stock Exchange, Norway.

Dry bulk shipping market underwent typical seasonal demand decline in early 2014 with sluggish seaborne activities and characterized by disparity in supply and demand for dry bulk shipping across different regions. Remarkably high or exceptional low fixtures were reported in the first quarter of 2014 and vessels in ballast seeking better chartering opportunities or prolonging positioning period were also common. While dry bulk shipping market is expected to improve in longer term as supply of newbuildings deliveries slows down and global economic indicators remain encouraging, market freight rates were still suppressed by short-term imbalance tonnage supply and demand in certain regions as large number of vessels have been ballasting from the weaker Pacific basin to Atlantic basin and the unexpected weakening of global minor bulk trading activities in early 2014. The recent crackdown of commodity-backed lending in China further exacerbated negative sentiment given the slowdown of importing activities of China would bring weighty impact on fragile dry bulk shipping market. Baltic Dry Index ("BDI") opened at 2,113 points on 2 January 2014 and trended downward in January as seasonal demand decline in January, followed by a soft rebound of BDI after Chinese New Year in the first quarter. However, there was a sharp fall in April again as mounting uncertainty lay ahead of the slower economic growth in China as well as other geopolitical events in some emerging countries. BDI fell to around 930 points in mid-April and hovered at a level between 850 to 1,000 points during the remaining period of the first half of the year.

## CHAIRMAN'S STATEMENT

The Group's operating results from chartering freight and hire for the first half of 2014 was affected by the decreased segment revenue in a low freight rate environment. Revenue from chartering freight and hire for the first half of the year dropped 31% from HK\$846,174,000 in 2013 to HK\$585,458,000 in 2014. Segment loss from chartering freight and hire of HK\$35,853,000 for the first half of 2014 was primarily attributable to an unexpected weak freight market due to a reduction in dry seaborne trade volume in the first half of 2014. This weak dry bulk commodities demand is primarily driven by a slowdown of Chinese economic activities as well as other geopolitical events. In addition, the ample availability of shipping finance in the past months also encouraged an unanticipated increase in the supply side. A byproduct of global quantitative easing, this over extension of credit in the shipping industry only slowed down recently partly due to the crackdown of commodity-backed lending in China.

The Group's segment revenue and operating results from chartering freight and hire for the first half of 2014 were also impacted by reduced number of owned fleet and chartered-in fleet in operation as the only chartered-in Capesize was redelivered to its owner in January 2014 whereas two chartered-in vessels were in operation in the first half of 2013. Operating days in current period were less than those in the first half of 2013 due to increased vessels ballast days and prolonging positioning period for increased voyage charters. The average daily time charter equivalent rates ("TCE") earned by the Group's fleet dropped to US\$10,515 for the first half of 2014 as compared to US\$13,568 for the last corresponding period in 2013 when certain charter contracts were recently entered into with charterers at relatively low freight rates.

The average daily TCE of the Group's fleet were as follows:

|                                       | 2014 1st half | 2013 1st half | 2013   |
|---------------------------------------|---------------|---------------|--------|
|                                       | US\$          | US\$          | US\$   |
| Capesize fleet                        | 13,477        | 13,030        | 13,202 |
| Post-Panamax / Panamax fleet          | 10,506        | 14,989        | 15,817 |
| Supramax / Handymax / Handysize fleet | 10,501        | 13,432        | 13,424 |
| In average                            | 10,515        | 13,568        | 13,653 |

Shipping related expenses decreased by 13% to HK\$437,438,000 for the first half of 2014 as compared to HK\$505,065,000 for the first half of 2013. Shipping related expenses for the period included compensation paid for early redelivery of the Group's only chartered-in Capesize to its owner in January 2014. Upon the redelivery of this chartered-in Capesize, the Group has not operated chartered-in fleet and hence hire payments for the first half of the year reduced significantly by approximately HK\$113 million comparing to the first half of 2013 in which two chartered-in vessels were in operation. However, such decrease was partially offset by the increased bunker expenses incurred in repositioning of vessels into more favourable areas and increased voyage charters taken in current period.

## CHAIRMAN'S STATEMENT

Other operating income for chartering freight and hire for the first half of 2014 mainly included ballast bonus income received from particular charterers for certain charter contracts and settlement income of HK\$40,812,000 which comprised of partial settlement on an arbitration award granted in relation to a repudiation claim against a charterer; and settlement income received from a charterer for early redelivery of an owned vessel to the Group. There was no settlement income being recognized for chartering freight and hire in the first half of 2013.

Finance costs for chartering freight and hire for the first half of 2014 decreased by 21% to HK\$22,091,000, as comparing to HK\$28,117,000 for the last corresponding period in 2013. The decrease was attributable to the decrease in average outstanding loan principal under aggressive loan repayment schedules and full repayment of vessel mortgage loans for two disposed owned vessels during the period.

The Group entered into agreements in February 2014 to dispose two vessels at a total consideration of HK\$436,800,000 to a purchaser, an independent third party. These two vessels were classified as "Assets held for sale" with recoverable amount of HK\$432,432,000 as at 31 December 2013. Both vessels were delivered to the purchaser in March 2014 as scheduled and gain on disposal of assets held for sale of HK\$4,368,000 was recorded in other operating income for chartering freight and hire in current period.

**Trading.** The Group operates its trading of chemical and industrial raw materials through Yee Lee Technology Company Limited, a 75% owned subsidiary of the Company.

The Group's segment revenue from trading business increased slightly to HK\$129,956,000 for the first half of 2014 as comparing to HK\$129,104,000 for the first half of 2013. However, the Group reported segment loss of HK\$2,778,000 from trading business for the first half of 2014, whereas segment profit of HK\$1,827,000 was reported in last corresponding period in 2013. While the Group strived to source and introduce new products with better profit margin to reach new customers through new sales channels, due to the falling of commodity prices, the overall gross profit margin reduced and segment loss was reported from trading business for the period.

**Other financial information.** The unallocated corporate expenses reduced to HK\$19,629,000 for the first half of 2014, as comparing to HK\$65,445,000 for the first half of 2013, due to fair value loss of HK\$50,309,000 on investment portfolio of equity and debt securities was recognized in the first half of 2013 as most Asian stock markets tumbled sharply and bond prices fell in June 2013. In early 2014, bond market continued to underperform on the back of U.S. tapering quantitative easing policies and rising treasury yields expectation and equity markets in Asian region plunged as funds continued to flow out of the Asian region. With the swift turnaround of equity and bond performance in the second quarter of 2014 supported by encouraging macroeconomic data among U.S., European and emerging Asian countries, the Group recorded fair value gain of HK\$1,001,000 on investment portfolio of equity and debt securities for the first half of 2014 and such gain was included in unallocated other operating income.

## CHAIRMAN'S STATEMENT

### FINANCIAL REVIEW

**Liquidity, financial resources and capital structure.** As at 30 June 2014, the total of the Group's equity and debt securities, bank balances and cash increased to HK\$1,882,182,000 (31/12/2013: HK\$1,675,253,000). The Group's bank borrowings decreased to HK\$3,418,691,000 (31/12/2013: HK\$3,863,014,000), of which 16%, 17%, 42% and 25% are repayable respectively within one year, one to two years, two to five years and over five years. All bank borrowings were denominated in United States Dollars and were committed on floating rate basis.

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, dropped to 22% (31/12/2013: 31%) as at 30 June 2014. 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.

**Pledge of assets.** As at 30 June 2014, the Group's property, plant and equipment and investment properties with an aggregate net book value of HK\$8,065,667,000 (31/12/2013: HK\$8,248,836,000), and deposits of HK\$176,353,000 (31/12/2013: HK\$183,900,000) placed with banks were pledged together with the assignment of thirty six (31/12/2013: thirty eight) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of thirty (31/12/2013: thirty two) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

**Capital expenditures and commitments.** During the six months ended 30 June 2014, capital expenditure on additions of owned vessels and vessels under construction was HK\$58,373,000 (30/6/2013: HK\$23,357,000), on other property, plant and equipment was HK\$745,000 (30/6/2013: HK\$1,003,000) and on investment properties was HK\$39,254,000 (30/6/2013: nil).

As at 30 June 2014, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK\$204,282,000 (31/12/2013: nil), representing the Group's outstanding capital expenditure commitments to acquire one (31/12/2013: nil) newbuilding at contract price of US\$29,100,000 (approximately HK\$226,980,000) (31/12/2013: nil).

## **CHAIRMAN'S STATEMENT**

### **OUTLOOK**

Shipping is tightly tied to the overall global economic health and is sensitive to intricate changes of the trade patterns, geopolitical situation, as well as the balance of demand and supply in shipping capacity.

The U.S. and European economies have been showing further encouraging signs. However, the key driver of the dry bulk market, China has caught a cold with economic activity, due to Government measures to limit credit growth, curb fixed asset investments and asset prices. As a result, the country that has been driving the most demand growth in dry bulk commodities has slowed down their import requirements recently. Growing geopolitical tension has also negatively affected business sentiment in a lot of regions. Together with a sharp reduction in certain minor bulk trades, the operating environment so far in 2014 has been a lot more challenging than anticipated.

At present, we remain positive with the longer term market given the long term import requirement from China and Asian countries are growing, and this growth should be further strengthen, if the recovery of U.S. and European economies proved to be sustainable. Of course, this would only be possible if supply is in check where less or no more irrational ordering of newbuildings by parties with no intention of long term commitment in shipping take place. The good news is, this newbuilding frenzy has significantly slowdown recently as potential buyers are discouraged by this unanticipated weak demand for vessels, shipping financiers have become more cautious, as well as the U.S. Federal Reserve communicating clearly to the market, an eventual end of the quantitative easing program should be expected soon.

We expect a stronger market towards the end of the year and aspire to grow our business over the longer term, and will patiently and selectively look at suitable opportunities as they arise.

For the remaining of the year, we will continue to focus on the basics: maintain a strong financial position and a healthy gearing level, monitor cargo flows in order to deploy our vessels efficiently to optimize revenue, lock in longer term charters to enhance the stability of income at the right time, ensuring the maintenance of a high quality, safe fleet of vessels, and keeping costs in check to enhance our margins. We will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under different kinds of scenarios.

By Order of the Board

**Ng Siu Fai**

*Chairman*

Hong Kong, 29 August 2014

## **CORPORATE GOVERNANCE**

### **COMPLIANCE OF THE CODE PROVISIONS**

The Company has complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2014, with deviations as explained in following sections.

#### **CG Code provision A.2.1**

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas are brothers who act as the Chairman and the Managing Director of the Company respectively. Mr. Ng Siu Fai, in addition to his duties as the Chairman, is also responsible for the strategic planning and overseeing all aspects of the Group’s operations. This constitutes deviation from code provision A.2.1 of the CG Code as part of his duties overlap with those of the Managing Director, who is in practice the chief executive.

As one of the founders of the Group, Mr. Ng Siu Fai has extensive experience and knowledge in the core businesses of the Group and his duty for overseeing all aspects of the Group’s operations is clearly beneficial to the Group. The Board also considers that this will not impair the balance of power and authority between the Board and the management of the Company as one-third of the Board members are represented by the independent non-executive directors and the Board will meet regularly to consider major matters affecting the operations of the Group and all directors of the Company (the “Directors”) are properly briefed on the matters arising at the Board meetings with adequate, complete and reliable information received in a timely manner. The current structure also allows flexibility and enhances the efficiency of decision making process in response to the constantly changing competitive environment.

As the Chairman’s major responsibility is to manage the Board whereas the Managing Director’s major responsibility is to manage the Group’s businesses, the Board considers that the responsibilities of the Chairman and the Managing Director are clear and distinctive and hence written terms thereof are not necessary. Although the respective responsibilities of the Chairman and the Managing Director are not set out in writing, power and authority are not concentrated in any one individual and all major decisions are made in consultation with members of the Board and appropriate board committees, as well as senior management.

Going forward, the Board will periodically review the effectiveness of this arrangement, the board composition as well as division of responsibilities to enhance best interests of the Company and its shareholders as a whole.

## **CORPORATE GOVERNANCE**

### **CG Code provision A.4.2**

Under code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Articles of Association of the Company, all Directors other than the Chairman and the Managing Director shall be subject to retirement by rotation at least once every three years and any new directors appointed to fill casual vacancies or as an addition to the Board shall be subject to election by shareholders at the annual general meeting after their appointments.

As the Chairman and the Managing Director are not subject to retirement by rotation in accordance with the Articles of Association of the Company, this constitutes deviation from code provision A.4.2 of the CG Code. The Board is of the view that the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability, and there should be planned and orderly succession for these offices. Since continuation is a key factor to the successful implementation of the Company's business plans and strategies, any Director holding the office as the Chairman or the Managing Director should therefore be exempted from the retirement by rotation and re-election at the Company's annual general meeting and the Board believes this arrangement is most beneficial to the Company and its shareholders.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out therein throughout the six months ended 30 June 2014.

### **AUDIT COMMITTEE**

The Audit Committee comprises of three independent non-executive directors. The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014.

## SUPPLEMENTARY INFORMATION

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2014.

### EMPLOYEES

As at 30 June 2014, the Group had 108 (31/12/2013: 108) full-time employees. The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident funds. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

### FLEET

#### Owned Vessels

The Group's strategy is to maintain a young and modern fleet to serve the growing needs of our customers. As at 30 June 2014, the Group had thirty six owned vessels as follows:

|                           | Number of owned vessels |
|---------------------------|-------------------------|
| Post-Panamax fleet        | 2                       |
| Panamax fleet             | 2                       |
| Supramax / Handymax fleet | 31                      |
| Handysize fleet           | 1                       |
| <b>Total fleet</b>        | <b>36</b>               |

#### Ordered Vessel

On 10 April 2014, the Group entered into a construction and sale contract to acquire a Supramax newbuilding at a contract price of US\$29,100,000 (approximately HK\$226,980,000) with expected date of delivery on or before 31 March 2016.

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

For the six months ended 30 June 2014

|  | Note | Six months<br>ended<br>30 June 2014<br>(Unaudited)<br>HK\$'000 | Six months<br>ended<br>30 June 2013<br>(Unaudited)<br>HK\$'000 |
|--|------|--|--|
| <b>Revenue</b>   | 2    | 715,414  | 975,278  |
| Other operating income   | 4    | 123,085  | 41,214   |
| Interest income  |      | 23,317   | 13,489   |
| Shipping related expenses  | 5    | (437,438)  | (505,065)  |
| Cost of trading goods sold   |      | (124,496)  | (119,338)  |
| Staff costs  |      | (41,083)   | (34,962)   |
| Other operating expenses   |      | (37,598)   | (81,834)   |
| <b>Operating profit before depreciation and amortization</b>                                   | 6    | 221,201  | 288,782  |
| Depreciation and amortization  |      | (224,138)  | (233,045)  |
| <b>Operating profit (loss)</b>   |      | (2,937)  | 55,737   |
| Finance costs  |      | (22,371)   | (28,306)   |
| <b>Profit (Loss) before taxation</b>   |      | (25,308)   | 27,431   |
| Taxation   | 7    | (76)   | (178)  |
| <b>Net profit (loss) and total comprehensive income (loss) for the period</b>                  |      | (25,384)   | 27,253   |
| <b>Net profit (loss) and total comprehensive income (loss) for the period attributable to:</b> |      |  |  |
| Shareholders of the Company  |      | (15,482)   | 13,069   |
| Non-controlling interests  |      | (9,902)  | 14,184   |
|  |      | (25,384)   | 27,253   |
| <b>Earnings (Loss) per share</b>   | 8    |  |  |
| - Basic  |      | HK\$(0.029)  | HK\$0.025  |
| - Diluted  |      | HK\$(0.029)  | HK\$0.025  |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

|   | Note | 30 June 2014<br>(Unaudited)<br>HK\$'000 | 31 December 2013<br>(Audited)<br>HK\$'000 |
|---|------|---|---|
| <b>ASSETS AND LIABILITIES</b>                         |      |   |   |
| <b>Non-current assets</b>                             |      |   |   |
| Property, plant and equipment                         |      | 8,181,701                               | 8,346,661                                 |
| Investment properties                                 | 10   | 140,434                                 | 101,180                                   |
| Goodwill  |      | 39,040                                  | 39,040                                    |
| Available-for-sale financial assets                   | 11   | 23,311                                  | 23,311                                    |
| Intangible assets                                     |      | 1,522                                   | 1,604                                     |
|   |      | <b>8,386,008</b>                        | <b>8,511,796</b>                          |
| <b>Current assets</b>                                 |      |   |   |
| Inventories   |      | 65,407                                  | 60,549                                    |
| Trade and other receivables                           | 12   | 286,896                                 | 456,105                                   |
| Financial assets at fair value through profit or loss | 13   | 1,155,568                               | 1,041,477                                 |
| Pledged deposits                                      |      | 176,353                                 | 183,900                                   |
| Bank balances and cash                                |      | 726,614                                 | 633,776                                   |
|   |      | <b>2,410,838</b>                        | <b>2,375,807</b>                          |
| Assets held for sale                                  | 14   | -                                       | 432,432                                   |
|   |      | <b>2,410,838</b>                        | <b>2,808,239</b>                          |
| <b>Current liabilities</b>                            |      |   |   |
| Trade and other payables                              | 15   | 265,159                                 | 318,475                                   |
| Current taxation                                      |      | 44                                      | 210                                       |
| Secured bank loans                                    | 16   | 546,972                                 | 723,527                                   |
|   |      | <b>812,175</b>                          | <b>1,042,212</b>                          |
| <b>Net current assets</b>                             |      | <b>1,598,663</b>                        | <b>1,766,027</b>                          |
| <b>Total assets less current liabilities</b>          |      | <b>9,984,671</b>                        | <b>10,277,823</b>                         |
| <b>Non-current liabilities</b>                        |      |   |   |
| Secured bank loans                                    | 16   | 2,871,719                               | 3,139,487                                 |
| <b>Net assets</b>                                     |      | <b>7,112,952</b>                        | <b>7,138,336</b>                          |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

|   |    | 30 June 2014<br>(Unaudited)<br>HK\$'000 | 31 December 2013<br>(Audited)<br>HK\$'000 |
|---|----|---|---|
| <b>EQUITY</b>   |    |   |   |
| <b>Equity attributable to shareholders of the Company</b> |    |   |   |
| Issued capital  | 17 | 381,639                                 | 53,029                                    |
| Reserves  |    | 3,612,867                               | 3,956,959                                 |
|   |    | <b>3,994,506</b>                        | <b>4,009,988</b>                          |
| <b>Non-controlling interests</b>                          |    | <b>3,118,446</b>                        | <b>3,128,348</b>                          |
| <b>Total equity</b>                                       |    | <b>7,112,952</b>                        | <b>7,138,336</b>                          |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

|   | Attributable to shareholders of the Company |  |   |  |  |  |   |                                     |  |   |
|---|---|--|---|--|--|--|---|-------------------------------------|--|---|
|   | Issued capital<br>(Unaudited)<br>HK\$'000   | Share premium<br>(Unaudited)<br>HK\$'000 | Capital redemption reserve<br>(Unaudited)<br>HK\$'000 | Other asset revaluation reserve<br>(Unaudited)<br>HK\$'000 | Employee share-based compensation reserve<br>(Unaudited)<br>HK\$'000 | Reserve for available-for-sale financial assets<br>(Unaudited)<br>HK\$'000 | Retained Profits<br>(Unaudited)<br>HK\$'000 | Subtotal<br>(Unaudited)<br>HK\$'000 | Non-controlling interests<br>(Unaudited)<br>HK\$'000 | Total equity<br>(Unaudited)<br>HK\$'000 |
| At 1 January 2013   | 53,029                                      | 324,590                                  | 4,020   | 4,777  | 26,259   | 13,795   | 3,463,360                                   | 3,889,830                           | 3,038,510  | 6,928,340                               |
| Net profit and total comprehensive income for the period                        | -   | -  | -   | -  | -  | -  | 13,069                                      | 13,069                              | 14,184   | 27,253                                  |
| At 30 June 2013   | 53,029                                      | 324,590                                  | 4,020   | 4,777  | 26,259   | 13,795   | 3,476,429                                   | 3,902,899                           | 3,052,694  | 6,955,593                               |
| At 1 January 2014   | 53,029                                      | 324,590                                  | 4,020   | 4,777  | 26,259   | 13,195   | 3,584,118                                   | 4,009,988                           | 3,128,348  | 7,138,336                               |
| Transfer on 3 March 2014 upon adoption of the new Companies Ordinance (Note 17) | 328,610                                     | (324,590)                                | (4,020)   | -  | -  | -  | -   | -                                   | -  | -                                       |
| Net loss and total comprehensive loss for the period                            | -   | -  | -   | -  | -  | -  | (15,482)                                    | (15,482)                            | (9,902)  | (25,384)                                |
| At 30 June 2014   | 381,639                                     | -  | -   | 4,777  | 26,259   | 13,195   | 3,568,636                                   | 3,994,506                           | 3,118,446  | 7,112,952                               |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

|  | Six months<br>ended<br>30 June 2014<br>(Unaudited)<br>HK\$'000 | Six months<br>ended<br>30 June 2013<br>(Unaudited)<br>HK\$'000 |
|--|--|--|
| <b>OPERATING ACTIVITIES</b>  |  |  |
| Cash generated from operations   | 215,217  | 77,065   |
| Interest paid  | (23,153)   | (28,982)   |
| PRC Corporate Income Tax paid  | (239)  | (374)  |
| <b>Net cash from operating activities</b>  | <b>191,825</b>   | <b>47,709</b>  |
| <b>INVESTING ACTIVITIES</b>  |  |  |
| Interest received  | 20,369   | 12,186   |
| Increase in bank deposits with more than<br>three months to maturity when placed | -  | (40,729)   |
| Dividend income received   | 4,233  | 3,077  |
| Purchase of property, plant and equipment  | (59,118)   | (24,360)   |
| Purchase of investment properties  | (39,254)   | -  |
| Proceeds from disposal of assets held for sale                                   | 436,800  | -  |
| Proceeds from disposal of property, plant and<br>equipment                       | -  | 300  |
| Proceeds from termination of unlisted investments                                | -  | 3,699  |
| Purchase of available-for-sale financial assets                                  | -  | (1,331)  |
| <b>Net cash from (used in) investing activities</b>                              | <b>363,030</b>   | <b>(47,158)</b>  |
| <b>FINANCING ACTIVITIES</b>  |  |  |
| New secured bank loans   | 15,452   | 3,905  |
| Repayment of secured bank loans  | (485,016)  | (289,324)  |
| Decrease (Increase) in pledged deposits  | 7,547  | (29,628)   |
| <b>Net cash used in financing activities</b>                                     | <b>(462,017)</b>   | <b>(315,047)</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                      | <b>92,838</b>  | <b>(314,496)</b>   |
| <b>Cash and cash equivalents at 1 January</b>                                    | <b>633,776</b>   | <b>903,097</b>   |
| <b>Cash and cash equivalents at 30 June</b>                                      | <b>726,614</b>   | <b>588,601</b>   |

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 have been reviewed by our auditor, Grant Thornton Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). An unmodified review conclusion has been issued by the auditor.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and the applicable disclosure provisions of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of 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 2013.

### 2. Revenue

Revenue represents chartering freight and hire income arising from the Group's owned and chartered-in vessels, and the aggregate of the invoiced value of goods sold. Revenue recognized during the period is as follows:

|                                      | Six months<br>ended<br>30 June 2014<br>(Unaudited)<br>HK\$'000 | Six months<br>ended<br>30 June 2013<br>(Unaudited)<br>HK\$'000 |
|--------------------------------------|--|--|
| Chartering freight and hire income   |  |  |
| Hire income under time charters      | 397,901  | 696,563  |
| Freight income under voyage charters | 187,557  | 149,611  |
| Sale of goods                        | 129,956  | 129,104  |
|                                      | <hr/>  | <hr/>  |
|                                      | 715,414  | 975,278  |

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 3. Segment information

The Group is principally engaged in the businesses of ship chartering and ship owning, and trading of chemical and industrial raw materials and the management has regarded these two businesses as the operating segments to be reported to the chief operating decision maker.

The following tables present the Group's reportable segment revenue and segment results for the six months ended 30 June 2014 and 2013, and reconcile the Group's total reportable segment results to the Group's net profit (loss) for the period as presented in the condensed consolidated statement of profit or loss and other comprehensive income.

|  | Chartering<br>freight<br>and hire<br>(Unaudited)<br>HK\$'000 | Trading<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 |
|--|--|------------------------------------|----------------------------------|
| <i>Six months ended 30 June 2014</i>   |  |                                    |                                  |
| Segment revenue                        | 585,458  | 129,956                            | 715,414                          |
| Segment results                        | (35,853)   | (2,778)                            | (38,631)                         |
| <i>Unallocated income and expenses</i> |  |                                    |                                  |
| Interest income                        |  |                                    | 23,317                           |
| Unallocated other operating income     |  |                                    | 9,635                            |
| Unallocated corporate expenses         |  |                                    | (19,629)                         |
| Loss before taxation                   |  |                                    | (25,308)                         |
| Taxation                               |  |                                    | (76)                             |
| Net loss for the period                |  |                                    | (25,384)                         |

|  | Chartering<br>freight<br>and hire<br>(Unaudited)<br>HK\$'000 | Trading<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 |
|--|--|------------------------------------|----------------------------------|
| <i>Six months ended 30 June 2013</i>   |  |                                    |                                  |
| Segment revenue                        | 846,174  | 129,104                            | 975,278                          |
| Segment results                        | 72,122   | 1,827                              | 73,949                           |
| <i>Unallocated income and expenses</i> |  |                                    |                                  |
| Interest income                        |  |                                    | 13,489                           |
| Unallocated other operating income     |  |                                    | 5,438                            |
| Unallocated corporate expenses         |  |                                    | (65,445)                         |
| Profit before taxation                 |  |                                    | 27,431                           |
| Taxation                               |  |                                    | (178)                            |
| Net profit for the period              |  |                                    | 27,253                           |

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 3. Segment information (Continued)

The following tables present the Group's reportable segment assets at each of the end of the reporting period, and reconcile the Group's total reportable segment assets to the Group's total assets as presented in the condensed consolidated statement of financial position.

|                           | Chartering<br>freight<br>and hire<br>(Unaudited)<br>HK\$'000 | Trading<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 |
|---------------------------|--|------------------------------------|----------------------------------|
| <i>As at 30 June 2014</i> |  |                                    |                                  |
| Segment assets            | 8,218,248  | 103,055                            | 8,321,303                        |
| <i>Unallocated assets</i> |  |                                    | 2,475,543                        |
| Total assets              |  |                                    | 10,796,846                       |

|                               | Chartering<br>freight<br>and hire<br>(Unaudited)<br>HK\$'000 | Trading<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 |
|-------------------------------|--|------------------------------------|----------------------------------|
| <i>As at 31 December 2013</i> |  |                                    |                                  |
| Segment assets                | 8,581,270  | 79,232                             | 8,660,502                        |
| Assets held for sale          | 432,432  | -                                  | 432,432                          |
| <i>Unallocated assets</i>     |  |                                    | 2,227,101                        |
| Total assets                  |  |                                    | 11,320,035                       |

### 4. Other operating income

Other operating income for the six months ended 30 June 2014 mainly included ballast bonus income received from particular charterers for certain charter contracts, gain on disposal of assets held for sale of HK\$4,368,000, and settlement income of approximately HK\$41 million which comprised of partial settlement on an arbitration award granted in relation to a repudiation claim against a charterer; and settlement income received from a charterer for early redelivery of an owned vessel to the Group. There was no settlement income being recognized for the six months ended 30 June 2013.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 5. Shipping related expenses

Shipping related expenses mainly include hire payments and commission payments and vessels operating expenses. Vessels operating expenses primarily comprise of crew expenses, bunker expenses, insurances, spare parts and consumables, repairs and maintenance, and other operating expenses.

### 6. Operating profit before depreciation and amortization

This is stated after charging / (crediting):

|  | Six months<br>ended<br>30 June 2014<br>(Unaudited)<br>HK\$'000 | Six months<br>ended<br>30 June 2013<br>(Unaudited)<br>HK\$'000 |
|--|--|--|
| Impairment loss (Reversal of impairment loss) on trade receivables       | (3,500)  | 2,237  |
| Dividend income  | (5,077)  | (3,309)  |
| Net loss (gain) on financial assets at fair value through profit or loss | (2,820)  | 46,056   |

### 7. Taxation

Hong Kong Profits Tax has not been provided as the Group has no assessable profits for the period. In the opinion of the Directors, a substantial portion of the Group's income neither arose in nor was derived from Hong Kong and therefore was not subject to Hong Kong Profits Tax. PRC Corporate Income Tax has been provided at the applicable rate on the estimated assessable profits of a PRC subsidiary for the period. The Group is not subject to taxation in any other jurisdictions in which the Group operates.

The amount of taxation charged to the condensed consolidated statement of profit or loss and other comprehensive income represents:

|                          | Six months<br>ended<br>30 June 2014<br>(Unaudited)<br>HK\$'000 | Six months<br>ended<br>30 June 2013<br>(Unaudited)<br>HK\$'000 |
|--------------------------|--|--|
| PRC Corporate Income Tax |  |  |
| Current period           | 76   | 178  |

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 8. Earnings (Loss) per share

Basic earnings (loss) per share was calculated on the net loss attributable to shareholders of the Company for the period of HK\$15,482,000 for the six months ended 30 June 2014 (30/6/2013: net profit of HK\$13,069,000) and the weighted average number of 530,289,480 (30/6/2013: 530,289,480) ordinary shares in issue during the period.

Diluted earnings (loss) per share was calculated on the net loss attributable to shareholders of the Company for the period of HK\$15,482,000 for the six months ended 30 June 2014 (30/6/2013: net profit of HK\$13,069,000) and the weighted average number of 530,289,480 (30/6/2013: 530,289,480) ordinary shares in issue during the period and adjusting for the potential dilutive ordinary shares of 7,522,612 (30/6/2013: 217,821) arising from the share options granted under the Company's share option scheme.

### 9. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2014 (30/6/2013: nil).

### 10. Investment properties

|                          | 30 June 2014<br>(Unaudited)<br>HK\$'000 | 31 December 2013<br>(Audited)<br>HK\$'000 |
|--------------------------|---|---|
| At 1 January             | 101,180                                 | 93,800                                    |
| Additions                | 39,254                                  | -   |
| Change in fair value     | -                                       | 7,380                                     |
| At 30 June / 31 December | <b>140,434</b>                          | 101,180                                   |

The Group's investment properties 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 and located in Hong Kong.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 11. Available-for-sale financial assets

|   | 30 June 2014<br>(Unaudited)<br>HK\$'000 | 31 December 2013<br>(Audited)<br>HK\$'000 |
|---|---|---|
| Unlisted club debentures, at fair value | 20,400                                  | 20,400                                    |
| Unlisted club membership, at fair value | 1,580                                   | 1,580                                     |
| Unlisted club membership, at cost       | 1,331                                   | 1,331                                     |
|   | <b>23,311</b>                           | <b>23,311</b>                             |

Unlisted club debentures and unlisted club membership stated at fair value represented investments in club debentures and club membership which their fair values can be determined directly by reference to published price quotations in active markets. At the reporting date, the fair value measurements of these unlisted club debentures and unlisted club membership were categorized as Level 1 of the three-level fair value hierarchy as defined under HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the period/year.

For the unlisted club membership stated at cost, as there is no quoted market price in active market, the range of reasonable fair value estimates can be varied significantly that its fair value cannot be measured reliably.

### 12. Trade and other receivables

|   | 30 June 2014<br>(Unaudited)<br>HK\$'000 | 31 December 2013<br>(Audited)<br>HK\$'000 |
|---|---|---|
| Trade receivables                           | 64,110                                  | 60,534                                    |
| Prepayments, deposits and other receivables | 222,786                                 | 395,571                                   |
|   | <b>286,896</b>                          | <b>456,105</b>                            |

The aging analysis of trade receivables (net of impairment loss) is as follows:

|                                    | 30 June 2014<br>(Unaudited)<br>HK\$'000 | 31 December 2013<br>(Audited)<br>HK\$'000 |
|------------------------------------|---|---|
| Within 3 months                    | 57,747                                  | 53,160                                    |
| Over 3 months but within 6 months  | 1,789                                   | 4,731                                     |
| Over 6 months but within 12 months | 2,926                                   | 228                                       |
| Over 12 months                     | 1,648                                   | 2,415                                     |
|                                    | <b>64,110</b>                           | <b>60,534</b>                             |

As at 31 December 2013, other receivables included a short term receivable of approximately HK\$188 million in relation to the termination of a newbuilding contract. In March 2014, the vendor refunded the amount to the Group and hence other receivables reduced significantly as at 30 June 2014.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 12. Trade and other receivables (Continued)

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding trade receivables are reviewed and followed up on an ongoing basis. Credit evaluations including assessing the customer's creditworthiness and financial standing are performed on customers requiring a credit over certain amount.

The credit terms given to charterers vary from 15 to 60 days according to the types of vessels' employment. The credit terms given to trading customers vary based on the financial assessments and payment track records. General credit terms for trading customers range from 30 to 90 days following the month in which sales take place.

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

|   | 30 June 2014<br>(Unaudited)<br>HK\$'000 | 31 December 2013<br>(Audited)<br>HK\$'000 |
|---|---|---|
| <i>Held for trading or not qualifying as hedges</i> |   |   |
| Equity securities                                   |   |   |
| Listed in Hong Kong                                 | 404,723                                 | 315,918                                   |
| Listed outside Hong Kong                            | 157,456                                 | 136,277                                   |
|   | 562,179                                 | 452,195                                   |
| Debt securities                                     |   |   |
| Listed in Hong Kong                                 | 420,955                                 | 386,564                                   |
| Listed outside Hong Kong                            | 162,454                                 | 202,718                                   |
| Unlisted  | 9,980                                   | -   |
|   | 593,389                                 | 589,282                                   |
|   | 1,155,568                               | 1,041,477                                 |

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 HKFRS 13. The fair value measurements of unlisted debt securities at the reporting date were determined by reference to price quotations for equivalent financial instruments in active markets provided by financial institutions and were categorized as Level 2 of the three-level fair value hierarchy as defined under HKFRS 13. There was no transfer among the three levels of the fair value hierarchy on listed equity securities, listed and unlisted debt securities during the period/year.

### 14. Assets held for sale

As at 31 December 2013, assets held for sale represented two owned vessels which were ready for sale with recoverable amount of HK\$432,432,000, which were measured at the lower of the net book value of HK\$532,614,000 or estimated fair value less costs to sell of HK\$432,432,000. As a result, impairment loss of HK\$100,182,000 for these two vessels was recognized for the year 2013.

In February 2014, the Group entered into agreements to dispose these two vessels at a total consideration of HK\$436,800,000 to a purchaser. Both vessels were delivered to the purchaser in March 2014 as scheduled.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 15. Trade and other payables

|                                    | 30 June 2014<br>(Unaudited)<br>HK\$'000 | 31 December 2013<br>(Audited)<br>HK\$'000 |
|------------------------------------|---|---|
| Trade payables                     | 20,288                                  | 18,331                                    |
| Accrued charges and other payables | 244,871                                 | 300,144                                   |
|                                    | <b>265,159</b>                          | <b>318,475</b>                            |

The aging analysis of trade payables is as follows:

|                                    | 30 June 2014<br>(Unaudited)<br>HK\$'000 | 31 December 2013<br>(Audited)<br>HK\$'000 |
|------------------------------------|---|---|
| Within 3 months                    | 3,046                                   | 1,350                                     |
| Over 3 months but within 6 months  | 439                                     | 812                                       |
| Over 6 months but within 12 months | 820                                     | 560                                       |
| Over 12 months                     | 15,983                                  | 15,609                                    |
|                                    | <b>20,288</b>                           | <b>18,331</b>                             |

### 16. Secured bank loans

|  | 30 June 2014<br>(Unaudited)<br>HK\$'000 | 31 December 2013<br>(Audited)<br>HK\$'000 |
|--|---|---|
| Vessel mortgage loans                  | 3,375,337                               | 3,844,901                                 |
| Trust receipt loans                    | 43,354                                  | 18,113                                    |
| Total secured bank loans               | 3,418,691                               | 3,863,014                                 |
| Less: Amount repayable within one year | (546,972)                               | (723,527)                                 |
| Amount repayable after one year        | <b>2,871,719</b>                        | <b>3,139,487</b>                          |

At the reporting date, vessel mortgage loans and trust receipt loans were denominated in United States Dollars and were committed on floating rate basis.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 17. Share capital

As at 31 December 2013, 1,000,000,000 ordinary shares, with par value of HK\$0.10 each, were authorized for issue. On 3 March 2014, the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("New CO") came into effect. The New CO abolishes the concepts of nominal (par) value, share premium and authorized share capital for all shares of Hong Kong incorporated companies. In accordance with Section 135 of the New CO, the Company's shares no longer have a nominal (par) value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transaction.

Prior to 3 March 2014, the application of the share premium account and capital redemption reserve were governed by Section 48B and Section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in Section 37 of Schedule 11 to the New CO, on 3 March 2014 any amount standing to the credit of the company's share premium account and capital redemption reserve becomes part of the company's share capital, as such balances of share premium account of HK\$324,590,000 and capital redemption reserve of HK\$4,020,000 became part of the Company's share capital. The use of share capital as from 3 March 2014 is governed by Section 149 of the New CO.

The Company's share capital is as follows:

|  | 30 June 2014              |                    | 31 December 2013          |                    |
|--|---------------------------|--------------------|---------------------------|--------------------|
|  | Number of ordinary shares | Amount<br>HK\$'000 | Number of ordinary shares | Amount<br>HK\$'000 |
| Issued and fully paid:                               |                           |                    |                           |                    |
| At 1 January   | 530,289,480               | 53,029             | 530,289,480               | 53,029             |
| Transfer on 3 March 2014 upon adoption of the New CO | -                         | 328,610            | -                         | -                  |
| At 30 June / 31 December                             | 530,289,480               | 381,639            | 530,289,480               | 53,029             |

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 18. Capital expenditures and commitments

During the six months ended 30 June 2014, capital expenditure on additions of owned vessels and vessels under construction was HK\$58,373,000 (30/6/2013: HK\$23,357,000), on other property, plant and equipment was HK\$745,000 (30/6/2013: HK\$1,003,000) and on investment properties was HK\$39,254,000 (30/6/2013: nil).

As at 30 June 2014, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK\$204,282,000 (31/12/2013: nil), representing the Group's outstanding capital expenditure commitments to acquire one (31/12/2013: nil) newbuilding at contract price of US\$29,100,000 (approximately HK\$226,980,000) (31/12/2013: nil).

### 19. Related party transactions

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

|  | Six months ended<br>30 June 2014<br>(Unaudited)<br>HK\$'000 | Six months ended<br>30 June 2013<br>(Unaudited)<br>HK\$'000 |
|--|---|---|
| Salaries and other benefits                  | 20,871  | 14,795  |
| Contributions to retirement benefits schemes | 1,087   | 720   |
|  | <b>21,958</b>   | 15,515  |

### 20. Comparative figures

Certain comparative figures have been included in order to conform to the presentation of current period.

## **PUBLICATION OF FINANCIAL INFORMATION**

The interim report of the Company for the six months ended 30 June 2014 containing all the detailed information will be despatched to shareholders of the Company and available on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.jinhuiship.com](http://www.jinhuiship.com) in due course.

*As at date of this announcement, the Executive Directors of the Company are Ng Siu Fai, Ng Kam Wah Thomas, Ng Ki Hung Frankie and Ho Suk Lin; and the Independent Non-executive Directors of the Company are Cui Jianhua, Tsui Che Yin Frank and William Yau.*