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**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 2016**

# HIGHLIGHTS

## FOR THE FIRST HALF OF 2016

- Revenue for the period: HK\$195 million
- Loss attributable to shareholders for the period: HK\$175 million
- Operating loss for the period of HK\$294 million included non-cash impairment loss on assets held for sale of HK\$98 million
- Basic loss per share: HK\$0.330
- Gearing ratio as at 30 June 2016: 49%

## 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 2016.

### INTERIM RESULTS

The Group's revenue for the first half of 2016 was HK\$195,180,000 whereas HK\$456,669,000 was reported in the same period of 2015. The loss attributable to shareholders of the Company for the first half of 2016 was HK\$175,026,000 as compared to a loss of HK\$46,420,000 for the first half of 2015. The substantial net loss for the first half of 2016 was attributable to the exposure to declining freight rates at such unexpected weak shipping market and the impairment loss on assets held for sale of HK\$97,906,000 recognized upon reclassification of three 2000-built Supramaxes for which the Group entered into disposal agreements in the period. The impairment loss on assets held for sale is non-cash in nature and does not have impact on the operating cash flows of the Group.

Basic loss per share was HK\$0.330 for the six months ended 30 June 2016 as compared to basic loss per share of HK\$0.087 for the corresponding period in 2015.

### INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2016 (30/6/2015: 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.

With the backdrop of a prolonged oversupply in tonnages, the dry bulk shipping market was extremely tough in the early months of 2016 due to an unexpected fall of global seaborne activities. Baltic Dry Index as well as Baltic Supramax Index hit new historical lows in February 2016 and freight rates were bottoming below ship owners' operating costs. The dry bulk commodities market and shipping market have regained some momentums since March 2016 and it is widely believed that the dry bulk shipping market is bottoming out as both freight rates and vessels values tend to move in an upward trend. We remain positive in the longer term outlook as the supply side of dry bulk vessels would be limited, but it would take more years to prove a sustainable rebound. The overall recovery in dry bulk shipping market require a stronger demand and supply rebalance through slowing fleet growth, layups and scrapping of tonnages.

## CHAIRMAN'S STATEMENT

The Group's segment revenue from chartering freight and hire for the first half of the year dropped 41% from HK\$330,794,000 in 2015 to HK\$195,180,000 in 2016. Segment loss from chartering freight and hire of HK\$290,829,000 for the first half of 2016 was primarily attributable to the reduced revenue earned by the Group's fleet in prevailing weak freight market environment. The average daily time charter equivalent rates ("TCE") earned by the Group's fleet dropped 41% to US\$3,841 for the first half of 2016 as compared to US\$6,486 for the corresponding period in 2015 when certain charter contracts were entered into with charterers at relatively low freight rates at spot market.

Average daily TCE	2016 1st half	2015 1st half	2015
	US\$	US\$	US\$
Post-Panamax / Panamax fleet	3,450	4,587	5,456
Supramax / Handymax / Handysize fleet	3,891	6,692	6,519
In average	3,841	6,486	6,412

Other operating income from chartering freight and hire for the first half of 2016 mainly included settlement income of HK\$34,262,000 from charterers in relation to repudiation claims. The Group will continue to seek all legal means to recover the amounts granted in the arbitration awards.

Shipping related expenses for the period reduced from HK\$292,165,000 for the first half of 2015 to HK\$226,334,000 for the first half of 2016 due to reduced voyage-related direct costs, including bunker expenses, when less voyage charters were engaged in current period. The decrease was also attributable to the reduction in vessels' running costs under the Group's continuing effort on cost reduction strategy in order to remain competitive in the current tough market environment.

During the first half of 2016, the Group took the opportunity to enter into three memorandums of agreement to dispose three 2000-built Supramaxes, at a total consideration of HK\$75,660,000. The disposals would enable the Group to enhance its working capital position and to strengthen its liquidity, and optimize the fleet size through this ongoing management of asset portfolio as well as keeping our strategy to maintain a young and modern fleet by reducing the Group's average fleet age. For financial reporting purposes, these three 2000-built Supramaxes were reclassified to "Assets held for sale" with a total impairment loss on assets held for sale of HK\$97,906,000 was recognized in the first half of 2016 upon reclassification. One of these vessels was delivered to the purchaser in May 2016 while the two remaining vessels were subsequently delivered to the purchasers in August 2016. As at 30 June 2016, the carrying amounts of "Assets held for sale" under "Current Assets" represented the two remaining vessels that have yet been delivered to the purchasers.

## CHAIRMAN'S STATEMENT

**Other financial information.** The unallocated other operating income decreased to HK\$6,348,000 for the first half of 2016, as comparing to HK\$13,957,000 for the first half of 2015, due to net gain on financial assets at fair value through profit or loss of HK\$6,838,000 was recognized in the first half of 2015 whereas net loss on financial assets at fair value through profit or loss of HK\$22,107,000 was recognized in the first half of 2016 and was included in unallocated corporate expenses.

## FINANCIAL REVIEW

**Liquidity, financial resources and capital structure.** As at 30 June 2016, the total of the Group's equity and debt securities, bank balances and cash decreased to HK\$743,908,000 (31/12/2015: HK\$992,890,000). The Group's bank borrowings decreased to HK\$2,289,499,000 (31/12/2015: HK\$2,476,367,000), of which 32%, 13%, 53% and 2% 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, increased to 49% (31/12/2015: 43%) as at 30 June 2016. With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements. As at 30 June 2016, the Group is able to service its debt obligations, including principal and interest payments. In order to preserve the Group's liquidity and financial resources to weather the unprecedented storm in dry bulk shipping market, the Group has decided to manage liquidity risk ahead and initiated rescheduling of indebtedness arrangement discussion with its lenders. Such discussions are currently at the documentation stage. We will continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate and make adjustments to its capital structure in the light of changes in economic conditions, recent market values of the Group's assets as well as the risk characteristics of the underlying assets.

**Pledge of assets.** As at 30 June 2016, the Group's property, plant and equipment and investment properties with an aggregate net book value of HK\$4,420,108,000 (31/12/2015: HK\$4,645,051,000), assets held for sale with an aggregate carrying amount of HK\$51,449,000 (31/12/2015: nil) and deposits of HK\$78,104,000 (31/12/2015: HK\$80,937,000) placed with banks were pledged together with the assignment of thirty five (31/12/2015: thirty six) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of twenty nine (31/12/2015: thirty) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

**Capital expenditures and commitments.** During the six months ended 30 June 2016, capital expenditure on additions of owned vessels was HK\$17,349,000 (30/6/2015: HK\$33,600,000), and on other property, plant and equipment was HK\$55,000 (30/6/2015: HK\$15,000).

As at 30 June 2016, there was no capital expenditure commitments contracted by the Group but not provided for.

## **CHAIRMAN'S STATEMENT**

### **RISK FACTORS**

This report may contain forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including the Company's management's examination of historical operating trends. Although the Company believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties which are difficult or impossible to predict and are beyond its control, the Company cannot give assurance that it will achieve or accomplish these expectations, beliefs or targets.

Key risk factors that could cause actual results to differ materially from those discussed in this report will include but not limited to the way world economies, currencies and interest rate environment may evolve going forward, general market conditions including fluctuations in charter rates and vessel values, counterparty risk, changes in demand in the dry bulk market, changes in operating expenses including bunker prices, crewing costs, drydocking and insurance costs, availability of financing and refinancing, inability to obtain restructuring or rescheduling of indebtedness from lenders in liquidity trough, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents, piracy or political events, and other important factors described from time to time in the reports filed by the Company.

## CHAIRMAN'S STATEMENT

### OUTLOOK

The freight rate in the first half of 2016 has been extremely volatile and at times, below the Company's operating costs. The start of this year has been the worst for dry bulk shipping market as asset prices have gone in a downward spiral given the lack of confidence but have since rebounded significantly from its trough. We believe the current tough market cannot be sustainable in the long term, but the journey to recovery and equilibrium will be tough and the road forward will not be without challenges. Based on our observation of the dry bulk market, more shipyards are expected to run into financial distress, owners are doing their utmost to delay and cancel newbuilding orders, and financiers are avoiding new exposure against such backdrop. Some participants will cease to operate in this industry, leaving those ship owners with the experience, expertise, long term commitment together with support from trusted partners operating in the market.

A number of factors will continue to determine the pace of dry bulk market recovery: (1) demand growth in key dry bulk commodities importing activities from China has been volatile, with coal and iron ore import volume dropping during the end of 2015, to a healthier increase in recent months; (2) a recovery in various raw material prices has instilled some stability in the commodities market; and most importantly in our view (3) how will the irrational ordering of newbuildings in the past two years pan out.

The difficulties faced by suppliers, buyers and financiers are all pointing towards a much reduced number of newbuildings in 2016 and beyond. The excess newbuilding orders driven by irrational expectations of financial return by parties with limited operating experience, backed by easy access to cheap funding in both the money and capital markets, and fee driven intermediary institutions has backfired. Despite the slight recovery in freight rates in recent months, the prevailing trading environment remains to be tough. Events such as delays, conversions of bulk newbuilding orders to other vessel types, cancellations, and shipyard defaults are leading to much fewer actual deliveries than previously scheduled. Many ship owners are running out of liquidity and financiers are certainly avoiding new additional exposure to the sector.

We continue to see uncertainties with respect to the global economic outlook, particularly the freight market as well as the financial, commodity and currency markets. This will inevitably introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. We will continue to refrain from using freight, bunker, currencies or interest rate derivatives to minimize any unnecessary business risks.

We are in a relatively fortunate position where we have no capital expenditure commitment in relation to newbuilding contracts, as well as no charter-in contracts. Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position, maintaining a young and modern fleet, not ruling out a reduction in fleet size in order to sail through the current storm by placing further emphasis on prudence and stability as our core objectives going forward.

## CHAIRMAN'S STATEMENT

In order to maximize our liquidity position and relax our debt obligations, the Company has reached principal agreement with majority of our lenders who are lenders with the super majority of our existing fleet, the key and critical terms of rescheduling of indebtedness, and are currently at the documentation stage. We are at the final stages in discussion with a few remaining lenders and a positive and favourable conclusion is expected to be reached in the coming weeks. We will inform shareholders accordingly once these arrangements are formally cemented. We would like to extend our sincere and heartfelt appreciation to all our lenders who have all been very patient, understanding and supportive.

We will intimately monitor cargo flows in order to deploy our vessels efficiently to optimize revenue, secure and maximize income including potential recoveries from outstanding charter disputes, ensuring the maintenance of a high quality, safe fleet of vessels, and keeping costs in check to enhance our margins in order to remain competitive beyond the current crisis.

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. We will exercise our best efforts to be one of the survivors, a trustworthy partner to those who support us, and be a long term preferred vessel provider to our customers.

By Order of the Board

**Ng Siu Fai**

*Chairman*

Hong Kong, 31 August 2016

## 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 2016, 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.

### **CG Code provision C.2.5**

Under code provision C.2.5 of the CG Code, the Group should have an internal audit function. Given the Group's simple operating structure and the potential cost burden, the Group has not set up an internal audit department for the time being and the Audit Committee under the Board would be responsible for internal control and risk management of the Group and for reviewing their effectiveness. The Board will conduct a detailed review on the need for setting up an internal audit team on an annual basis and such findings shall be disclosed in the Corporate Governance Report.

## **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 2016.

## **CORPORATE GOVERNANCE**

### **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 2016.

## 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 2016.

### EMPLOYEES

As at 30 June 2016, the Group had 72 (31/12/2015: 75) 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 2016, the Group had thirty five owned vessels which included two Supramaxes which were subsequently delivered to the purchasers in August 2016 as scheduled. As at 30 August 2016, the Group had thirty three owned vessels as follows:

	Number of owned vessels
Post-Panamax fleet	2
Panamax fleet	2
Supramax / Handymax fleet	28
Handysize fleet	1
<b>Total fleet</b>	<b>33</b>

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

For the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000
<b>CONTINUING OPERATION</b>			
<b>Revenue</b>	3	195,180	330,794
Other operating income	5	61,618	195,024
Interest income		9,145	19,573
Shipping related expenses		(226,334)	(292,165)
Staff costs		(42,569)	(45,195)
Impairment loss on assets held for sale	14	(97,906)	-
Other operating expenses		(45,539)	(45,426)
<b>Operating profit (loss) before depreciation and amortization</b>	6	(146,405)	162,605
Depreciation and amortization		(147,733)	(210,271)
<b>Operating loss</b>		(294,138)	(47,666)
Finance costs		(18,984)	(19,198)
<b>Loss before taxation</b>		(313,122)	(66,864)
Taxation	7	-	-
Loss for the period from continuing operation		(313,122)	(66,864)
<b>DISCONTINUED OPERATION</b>			
Loss for the period from discontinued operation	2(a)	-	(10,099)
<b>Loss for the period</b>		(313,122)	(76,963)
<b>Other comprehensive income (loss)</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Change in fair value of available-for-sale financial assets from continuing operation		(678)	2,600
<b>Total comprehensive loss for the period</b>		(313,800)	(74,363)

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

For the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000
<b>Loss for the period attributable to:</b>			
Shareholders of the Company			
- Continuing operation		(175,026)	(38,909)
- Discontinued operation		-	(7,511)
		(175,026)	(46,420)
Non-controlling interests			
- Continuing operation		(138,096)	(27,955)
- Discontinued operation		-	(2,588)
		(138,096)	(30,543)
		(313,122)	(76,963)
<b>Total comprehensive loss for the period attributable to:</b>			
Shareholders of the Company			
- Continuing operation		(175,646)	(36,309)
- Discontinued operation		-	(7,511)
		(175,646)	(43,820)
Non-controlling interests			
- Continuing operation		(138,154)	(27,955)
- Discontinued operation		-	(2,588)
		(138,154)	(30,543)
		(313,800)	(74,363)
<b>Loss per share</b>			
Basic and diluted			
- Continuing operation	8	HK\$(0.330)	HK\$(0.073)
- Discontinued operation		N/A	HK\$(0.014)
		HK\$(0.330)	HK\$(0.087)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,401,272	4,702,753
Investment properties	10	192,870	192,870
Available-for-sale financial assets	11	24,531	25,209
Intangible assets		1,193	1,275
		<b>4,619,866</b>	<b>4,922,107</b>
<b>Current assets</b>			
Inventories		1,235	14,947
Trade and other receivables	12	140,819	140,436
Financial assets at fair value through profit or loss	13	447,590	715,674
Pledged deposits		78,104	80,937
Bank balances and cash		296,318	277,216
		<b>964,066</b>	<b>1,229,210</b>
Assets held for sale	14	51,449	-
		<b>1,015,515</b>	<b>1,229,210</b>
<b>Current liabilities</b>			
Trade and other payables	15	208,120	223,388
Secured bank loans	16	739,679	650,064
		<b>947,799</b>	<b>873,452</b>
<b>Net current assets</b>		<b>67,716</b>	<b>355,758</b>
<b>Total assets less current liabilities</b>		<b>4,687,582</b>	<b>5,277,865</b>
<b>Non-current liabilities</b>			
Secured bank loans	16	1,549,820	1,826,303
<b>Net assets</b>		<b>3,137,762</b>	<b>3,451,562</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>Note</i>	<b>30 June 2016</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2015 <b>(Audited)</b> <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Issued capital		<b>381,639</b>	381,639
Reserves		<b>1,422,143</b>	1,597,789
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		<b>1,803,782</b>	1,979,428
<b>Non-controlling interests</b>		<b>1,333,980</b>	1,472,134
<hr/>			
<b>Total equity</b>		<b>3,137,762</b>	3,451,562

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

Attributable to shareholders of the Company								
	Issued capital (Unaudited) HK\$'000	Other asset revaluation reserve (Unaudited) HK\$'000	Employee share-based compensation reserve (Unaudited) HK\$'000	Reserve for available- for-sale financial assets (Unaudited) HK\$'000	Retained Profits (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2015	381,639	4,777	26,259	11,995	3,204,195	3,628,865	2,821,019	6,449,884
Loss for the period	-	-	-	-	(46,420)	(46,420)	(30,543)	(76,963)
Other comprehensive income for the period	-	-	-	2,600	-	2,600	-	2,600
Total comprehensive income (loss) for the period	-	-	-	2,600	(46,420)	(43,820)	(30,543)	(74,363)
Disposal of subsidiaries (Note 2c)	-	-	-	-	-	-	(10,119)	(10,119)
At 30 June 2015	381,639	4,777	26,259	14,595	3,157,775	3,585,045	2,780,357	6,365,402
At 1 January 2016	381,639	35,523	26,259	14,995	1,521,012	1,979,428	1,472,134	3,451,562
Loss for the period	-	-	-	-	(175,026)	(175,026)	(138,096)	(313,122)
Other comprehensive loss for the period	-	-	-	(620)	-	(620)	(58)	(678)
Total comprehensive loss for the period	-	-	-	(620)	(175,026)	(175,646)	(138,154)	(313,800)
At 30 June 2016	381,639	35,523	26,259	14,375	1,345,986	1,803,782	1,333,980	3,137,762

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	<i>Note</i>	Six months ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations		204,903	82,069
Interest paid		(18,770)	(19,688)
PRC Corporate Income Tax paid		-	(576)
<b>Net cash from operating activities</b>		<b>186,133</b>	<b>61,805</b>
<b>INVESTING ACTIVITIES</b>			
Interest received		10,014	20,118
Decrease in bank deposits with more than three months to maturity when placed		-	112,379
Dividend income received		1,985	3,396
Net cash inflow from disposal of subsidiaries	2(c)	-	18,699
Purchase of property, plant and equipment		(17,404)	(33,615)
Proceeds from disposal of property, plant and equipment		530	-
Proceeds from disposal of assets held for sale		21,879	-
<b>Net cash from investing activities</b>		<b>17,004</b>	<b>120,977</b>
<b>FINANCING ACTIVITIES</b>			
New secured bank loans		-	13,124
Repayment of secured bank loans		(186,868)	(302,888)
Decrease (Increase) in pledged deposits		2,833	(350)
<b>Net cash used in financing activities</b>		<b>(184,035)</b>	<b>(290,114)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>19,102</b>	<b>(107,332)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>277,216</b>	<b>449,604</b>
<b>Cash and cash equivalents at 30 June</b>		<b>296,318</b>	<b>342,272</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 2016 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 financial information relating to the year ended 31 December 2015 that is included in these unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for the year ended 31 December 2015 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).
- The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2015. The independent auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

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 2015. Amendments to Hong Kong Financial Reporting Standards ("HKFRS") effective for the financial year ending 31 December 2016 do not have any material impact on the interim financial statements of the Group.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 2. Disposal group and discontinued operation

On 1 June 2015, the Group announced to dispose its trading business by selling its entire 75% equity interest in Yee Lee Technology Company Limited (“YLTCL”) and YLTCL and its subsidiaries (“YL Group”) had ceased to be treated as subsidiaries of the Company upon completion of the disposal in June 2015. The disposal allowed the Group be better focus and concentrated its resources on shipping business in the prevailing tough operating environment and allowed the management to consider other business which could bring synergy to its shipping business in future.

The operating results of the disposed trading business for the six months ended 30 June 2015 have been presented as discontinued operation.

#### (a) Loss from discontinued operation

The analysis of the loss from discontinued trading business for the six months ended 30 June 2015, presented as discontinued operation in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” is as follows:

	Six months ended 30 June 2015 (Unaudited) HK\$'000
<b>DISCONTINUED OPERATION</b>	
Revenue	125,875
Other operating income	634
Interest income	10
Cost of trading goods sold	(121,402)
Staff costs	(3,367)
Other operating expenses	(11,359)
<b>Operating loss before depreciation and amortization</b>	<b>(9,609)</b>
Depreciation and amortization	(29)
<b>Operating loss</b>	<b>(9,638)</b>
Finance costs	(180)
<b>Loss before taxation</b>	<b>(9,818)</b>
Taxation	(281)
<b>Loss for the period from discontinued operation</b>	<b>(10,099)</b>
<b>Loss for the period attributable to:</b>	
Shareholders of the Company	(7,511)
Non-controlling interests	(2,588)
	<b>(10,099)</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 2. Disposal group and discontinued operation (Continued)

#### (b) Analysis of the cash flows from discontinued operation:

	Six months ended 30 June 2015 (Unaudited) HK\$'000
<b>DISCONTINUED OPERATION</b>	
Net cash from operating activities	7,479
Net cash from investing activities	10
<b>Net cash inflow from discontinued operation</b>	<b>7,489</b>

#### (c) Notes to condensed consolidated statement of cash flows – Net cash inflow from disposal of YL Group:

	As at 15 June 2015 (Unaudited) HK\$'000
<b>Net assets disposed of as at the date of disposal:</b>	
Property, plant and equipment	214
Inventories	21,454
Trade and other receivables	66,787
Bank balances and cash	13,301
Trade and other payables	(27,161)
Current taxation	(165)
Secured bank loans	(32,334)
	42,096
Non-controlling interests	(10,119)
	31,977
Gain on disposal of subsidiaries	23
<b>Total consideration</b>	<b>32,000</b>
<b>Satisfied by:</b>	
Cash	32,000
<b>Analysis of net cash flow arising from the disposal:</b>	
Cash consideration	32,000
Bank balances and cash disposed of	(13,301)
<b>Net cash inflow from disposal of subsidiaries</b>	<b>18,699</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 3. Revenue

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

	Six months ended 30 June 2016 (Unaudited) <i>HK\$'000</i>	Six months ended 30 June 2015 (Unaudited) <i>HK\$'000</i>
<b>CONTINUING OPERATION</b>		
Chartering freight and hire income:		
Hire income under time charters	185,039	295,620
Freight income under voyage charters	10,141	35,174
	195,180	330,794
<b>DISCONTINUED OPERATION</b>		
Sale of goods	-	125,875
	195,180	456,669

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 4. Segment information

The Group is principally engaged in the business of ship chartering and ship owning and the management has regarded this business as the operating segment to be reported to the chief operating decision maker.

The Group disposed its entire trading business during the period ended 30 June 2015 and this segment has been presented as discontinued operation.

The following tables present the Group's reportable segment revenue, segment results, segment assets and segment liabilities, and reconcile the Group's total reportable segment results, segment assets and segment liabilities to the Group's loss for the period, total assets and total liabilities as presented in the condensed consolidated financial statements.

	Continuing operation	Discontinued operation	
	Chartering freight and hire (Unaudited) HK\$'000	Trading (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<i>Six months ended 30 June 2016</i>			
Segment revenue	195,180	-	195,180
Segment results	(290,829)	-	(290,829)
<i>Unallocated income and expenses</i>			
Interest income			9,145
Unallocated other operating income			6,348
Unallocated corporate expenses			(37,786)
Loss before taxation			(313,122)
Taxation			-
Loss for the period			(313,122)
<i>Six months ended 30 June 2015</i>			
Segment revenue	330,794	125,875	456,669
Segment results	(82,829)	(9,828)	(92,657)
<i>Unallocated income and expenses</i>			
Interest income			19,583
Unallocated other operating income			13,957
Unallocated corporate expenses			(17,565)
Loss before taxation			(76,682)
Taxation			(281)
Loss for the period			(76,963)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 4. Segment information (Continued)

	Continuing operation	Discontinued operation	
	Chartering freight and hire (Unaudited) HK\$'000	Trading (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<i>As at 30 June 2016</i>			
Segment assets	4,391,469	-	4,391,469
<i>Unallocated assets</i>			
Pledged deposits			78,104
Bank balances and cash			296,318
Other current assets			486,393
Other non-current assets			383,097
<b>Total assets</b>			<b>5,635,381</b>
Segment liabilities	2,486,487	-	2,486,487
<i>Unallocated liabilities</i>			
Other current liabilities			11,132
<b>Total liabilities</b>			<b>2,497,619</b>
	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000
<i>As at 31 December 2015</i>			
Segment assets	4,642,314	-	4,642,314
<i>Unallocated assets</i>			
Pledged deposits			80,937
Bank balances and cash			277,216
Other current assets			760,674
Other non-current assets			390,176
<b>Total assets</b>			<b>6,151,317</b>
Segment liabilities	2,689,977	-	2,689,977
<i>Unallocated liabilities</i>			
Other current liabilities			9,778
<b>Total liabilities</b>			<b>2,699,755</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 5. Other operating income

Other operating income for the first half of 2016 mainly included settlement income of HK\$34,262,000 from charterers in relation to repudiation claims.

Other operating income for the first half of 2015 mainly included ballast bonus income received from particular charterers for certain charter contracts and settlement income of HK\$144,300,000 from a charterer in relation to repudiation claims.

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

This is stated after charging / (crediting):

	Six months ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000
<b>CONTINUING OPERATION</b>		
Realized loss (gain) on financial assets at fair value through profit or loss	15,886	(45,964)
Unrealized loss on financial assets at fair value through profit or loss	6,221	39,126
Net loss (gain) on financial assets at fair value through profit or loss	22,107	(6,838)
Reversal of impairment loss on trade receivables	(208)	(2,690)
Dividend income	(2,261)	(4,342)
Loss on write-off of vessel under construction	-	22,698
Gain on disposal of subsidiaries	-	(23)

### 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. 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 ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000
<b>CONTINUING OPERATION</b>		
Hong Kong Profits Tax	-	-
<b>DISCONTINUED OPERATION</b>		
PRC Corporate Income Tax	-	281
	-	281

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 8. Loss per share

Basic and diluted loss per share from continuing operation was calculated on the loss from continuing operation attributable to shareholders of the Company of HK\$175,026,000 for the six months ended 30 June 2016 (30/6/2015: HK\$38,909,000) and the weighted average number of 530,289,480 (30/6/2015: 530,289,480) ordinary shares in issue during the period.

No basic and diluted loss per share from discontinued operation was calculated for the six months ended 30 June 2016 since no discontinued operation arose in the period. For the same period of 2015, basic and diluted loss per share from discontinued operation was calculated on the loss from discontinued operation attributable to shareholders of the Company of HK\$7,511,000 and the weighted average number of 530,289,480 ordinary shares in issue during the period of 2015.

Diluted loss per share for the six months ended 30 June 2016 and 2015 were the same as basic loss per share, the calculation did not assume the exercise of share options granted under the Company's share option scheme as it would have an anti-dilutive effect.

### 9. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2016 (30/6/2015: nil).

### 10. Investment properties

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
At 1 January	192,870	141,860
Additions	-	3,508
Reclassification from leasehold land and buildings upon disposal of subsidiaries	-	8,584
Change in fair value arisen from reclassification from leasehold land and buildings to investment properties upon disposal of subsidiaries	-	30,746
Change in fair value	-	8,172
<b>At 30 June / 31 December</b>	<b>192,870</b>	<b>192,870</b>

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 and located in Hong Kong.

The investment properties of the Group were not revalued at 30 June 2016 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 2015. Consequently, no increase or decrease in fair value of investment properties has been recognized in the current period.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Unlisted club debentures, at fair value	21,650	22,200
Unlisted club membership, at fair value	1,550	1,678
Unlisted club membership, at cost	1,331	1,331
	<b>24,531</b>	<b>25,209</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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade receivables	16,784	22,820
Prepayments, deposits and other receivables	124,035	117,616
	<b>140,819</b>	<b>140,436</b>

The aging analysis of trade receivables (net of impairment loss) based on payment due dates is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 3 months	4,085	8,899
Over 3 months but within 6 months	2,193	2,634
Over 6 months but within 12 months	1,916	4,813
Over 12 months	8,590	6,474
	<b>16,784</b>	<b>22,820</b>

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.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<i>Held for trading or not qualifying as hedges</i>		
Equity securities		
Listed in Hong Kong	122,180	276,571
Listed outside Hong Kong	54,174	65,034
	<b>176,354</b>	<b>341,605</b>
Debt securities		
Listed in Hong Kong	262,400	328,498
Listed outside Hong Kong	8,836	45,571
	<b>271,236</b>	<b>374,069</b>
	<b>447,590</b>	<b>715,674</b>

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. There was no transfer among the three levels of the fair value hierarchy during the period / year.

### 14. Assets held for sale

During the first half of 2016, the Group took the opportunity to enter into three memorandums of agreement to dispose three 2000-built Supramaxes, at a total consideration of HK\$75,660,000. The disposals would enable the Group to enhance its working capital position and to strengthen its liquidity, and optimize the fleet size through this ongoing management of asset portfolio as well as keeping our strategy to maintain a young and modern fleet by reducing the Group's average fleet age. For financial reporting purposes, these three 2000-built Supramaxes were reclassified to "Assets held for sale" in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale of HK\$97,906,000 was recognized in the first half of 2016 upon reclassification. One of these vessels was delivered to the purchaser in May 2016 while the two remaining vessels were subsequently delivered to the purchasers in August 2016. As at 30 June 2016, the carrying amounts of "Assets held for sale" under "Current Assets" represented the two remaining vessels that have yet been delivered to the purchasers.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 15. Trade and other payables

	<b>30 June 2016</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2015 <b>(Audited)</b> <i>HK\$'000</i>
Trade payables	10,386	12,097
Accrued charges and other payables	197,734	211,291
	<b>208,120</b>	<b>223,388</b>

The aging analysis of trade payables based on payment due dates is as follows:

	<b>30 June 2016</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2015 <b>(Audited)</b> <i>HK\$'000</i>
Within 3 months	490	3,379
Over 3 months but within 6 months	949	1,096
Over 6 months but within 12 months	3,500	2,494
Over 12 months	5,447	5,128
	<b>10,386</b>	<b>12,097</b>

### 16. Secured bank loans

	<b>30 June 2016</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2015 <b>(Audited)</b> <i>HK\$'000</i>
Vessel mortgage loans	2,289,499	2,476,367
Less: Amount repayable within one year	(739,679)	(650,064)
Amount repayable after one year	<b>1,549,820</b>	<b>1,826,303</b>

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 17. Capital expenditures and commitments

During the six months ended 30 June 2016, capital expenditure on additions of owned vessels was HK\$17,349,000 (30/6/2015: HK\$33,600,000), and on other property, plant and equipment was HK\$55,000 (30/6/2015: HK\$15,000).

At the reporting date, there was no capital expenditure commitments contracted by the Group but not provided for.

### 18. Related party transactions

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

	Six months ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000
Salaries and other benefits	28,045	27,737
Contributions to retirement benefits schemes	1,465	1,494
	<b>29,510</b>	<b>29,231</b>

### 19. Event after the reporting date

Subsequent to the reporting date, two vessels classified as "Assets held for sale" with carrying amount of HK\$51,449,000 were delivered to the purchasers, and the disposals of the vessels were completed in August 2016 as scheduled.

## **PUBLICATION OF FINANCIAL INFORMATION**

The interim report of the Company for the six months ended 30 June 2016 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.*