

*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 2017**

# HIGHLIGHTS

## FOR THE FIRST HALF OF 2017

- Revenue for the period: HK\$268 million
- Net loss attributable to shareholders for the period: HK\$36 million
- Operating loss for the period: HK\$43 million included non-cash impairment loss on assets held for sale (disposed vessels) of HK\$49 million
- Basic loss per share: HK\$0.068
- Gearing ratio as at 30 June 2017: 22%

## MANAGEMENT DISCUSSION AND ANALYSIS

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 2017.

### INTERIM RESULTS

The Group’s revenue for the first half of 2017 was HK\$267,513,000 whereas HK\$195,180,000 was reported in the same period of 2016. The net loss attributable to shareholders of the Company for the first half of 2017 was HK\$35,983,000 as compared to a net loss of HK\$175,026,000 for the first half of 2016. The net loss for the first half of 2017 was attributable to the impairment loss on assets held for sale (disposed vessels) of HK\$49,149,000 recognized in the first half of 2017 whereas HK\$97,906,000 was recognized in the same period in 2016. The impairment loss on assets held for sale (disposed vessels) is non-cash in nature and does not have impact on the operating cash flows of the Group.

Basic loss per share was HK\$0.068 for the six months ended 30 June 2017 as compared to basic loss per share of HK\$0.330 for the corresponding period in 2016.

### INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2017 (30/6/2016: nil).

### BUSINESS REVIEW

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

## MANAGEMENT DISCUSSION AND ANALYSIS

With the continued dry commodities demand coupled with limited new tonnages entering the market, dry bulk sector has shown a notable improvement in the first half of 2017, and we expect this positive momentum is likely to continue into the second half of 2017. There was noticeable improvement in market freight rates of all types of dry bulk vessels in the first half of 2017 as comparing to same period in 2016. 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. Despite the freight rates have softened in May and June 2017, the average of Baltic Dry Index for the first half of 2017 was 975 points, which compares to 485 points in the same period in 2016.

Average daily time charter equivalent rates ("TCE")	2017	2016	
	1st half	1st half	2016
	US\$	US\$	US\$
Post-Panamax / Panamax fleet	7,399	3,450	4,475
Supramax / Handymax / Handysize fleet	7,015	3,891	4,922
In average	7,044	3,841	4,871

Dry bulk shipping market has been improving since February 2017 on the back of rising dry seaborne trade volumes which were stimulated by both increasing agricultural products and coal trading activities. Despite reduced number of owned vessels, our hire income under time charters during the first half of 2017 grew 38% compared with the same period in 2016 due to the recovering freight rates in the spot market.

Key Performance Indicators for Shipping Business	2017	2016	
	1st half	1st half	2016
	HK\$'000	HK\$'000	HK\$'000
Average daily TCE	55	30	38
Daily vessel running cost	28	29	29
Daily vessel depreciation	16	22	21
Daily vessel finance cost	5	3	3
	49	54	53
Average utilization rate	99%	97%	98%

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2017, the Group had twenty three owned vessels. The average daily TCE earned by the Group's fleet increased 83% to US\$7,044 (approximately HK\$55,000) for the first half of 2017 as compared to US\$3,841 (approximately HK\$30,000) for the first half of 2016 due to a notable improvement of dry bulk shipping market in the first half of 2017. Daily vessel running cost dropped 4% from US\$3,669 (approximately HK\$29,000) for the first half of 2016 to US\$3,535 (approximately HK\$28,000) for the first half of 2017 due to the Group's continuing effort on cost reduction strategy in order to remain competitive in the current tough market environment. Daily vessel depreciation dropped due to the readjusted depreciation upon the recognition of impairment loss on owned vessels at end of 2016. However, daily vessel finance cost increased 66% from US\$374 (approximately HK\$3,000) for the first half of 2016 to US\$620 (approximately HK\$5,000) for the first half of 2017 due to the rising interest rates on both market LIBOR and increased margin on the rescheduling of indebtedness arrangement. Fleet utilization rate increased from 97% for the first half of 2016 to 99% for the first half of 2017. We will intimately monitor cargo flows in order to deploy our vessels efficiently to optimize revenue and fleet utilization rate and we will keep costs in check to enhance our margins beyond the current crisis.

As at 30 June 2017, the Group had twenty three owned vessels as follows:

	Number of owned vessels
Post-Panamax fleet	2
Supramax fleet	21
<b>Total fleet</b>	<b>23</b>

During the first half of 2017, the Group had entered into five memorandums of agreement to dispose four Supramaxes and one Handysize, at a total consideration of US\$63 million (approximately HK\$491 million). Following the disposal of five vessels, the Group's total carrying capacity had been reduced from deadweight 1,602,343 metric tons to 1,341,902 metric tons. Five vessels had been delivered to the respective buyers during the first half of 2017.

Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position. We will continuously monitor the market as well as our operations going forward and will maintain a young and modern fleet, not ruling out any future disposal or acquisition of vessels and will make such decisions on an ad hoc basis to readjust our fleet size in order to sail through the current storm by placing further emphasis on prudence and stability as our core objectives going forward.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

**Revenue and operating loss.** The Group's revenue for the first half of 2017 increased 37% to HK\$267,513,000, comparing to HK\$195,180,000 for the first half of 2016. The increase in revenue was primarily attributable to the recovering freight rates in the spot market. The net losses of HK\$66,870,000 for the first half of 2017 and HK\$313,122,000 for the corresponding period in 2016 were attributable to the impairment loss on assets held for sale (disposed vessels) of HK\$49,149,000 recognized in the first half of 2017 whereas HK\$97,906,000 was recognized in the same period in 2016. The impairment loss on assets held for sale (disposed vessels) is non-cash in nature and does not have impact on the operating cash flows of the Group.

**Other operating income.** Other operating income decreased from HK\$61,618,000 for the first half of 2016 to HK\$41,943,000 for the first half of 2017 due to the reduced settlement income received from charterers in relation to repudiation claims from HK\$34,262,000 for the first half of 2016 to HK\$5,108,000 for the first half of 2017. The Group will continue to seek all legal means to recover the amounts granted in the arbitration awards.

**Shipping related expenses.** Shipping related expenses for the period reduced from HK\$226,334,000 for the first half of 2016 to HK\$165,376,000 for the first half of 2017 due to reduced number of owned vessels from thirty five for the first half of 2016 to twenty three at end of the first half of 2017 and the continued efforts on cost reduction strategy in order to remain competitive in the current tough market environment.

**Financial assets at fair value through profit or loss.** As at 30 June 2017, the Group's portfolio of investment in financial assets at fair value through profit or loss was HK\$414,879,000 (31/12/2016: HK\$391,868,000), in which HK\$159,646,000 (31/12/2016: HK\$150,540,000) was investment in listed equity securities and HK\$255,233,000 (31/12/2016: HK\$241,328,000) was investment in listed debt securities.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Liquidity, financial resources and capital structure.** As at 30 June 2017, the Company maintained positive working capital position of HK\$622,418,000 (31/12/2016: HK\$409,448,000) and the total of the Group's equity and debt securities, bank balances and cash increased to HK\$713,424,000 (31/12/2016: HK\$632,740,000). During the first half of 2017, net cash generated from operating activities amounted to HK\$19,669,000 (30/06/2016: HK\$186,133,000).

As at 30 June 2017, the Group's bank borrowings decreased to HK\$1,129,397,000 (31/12/2016: HK\$1,657,916,000), of which 8%, 52%, 39% and 1% 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, decreased to 22% (31/12/2016: 52%) as at 30 June 2017. 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 2017, the Group is able to service its debt obligations, including principal and interest payments.

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 2017, the Group's property, plant and equipment with an aggregate net book value of HK\$2,047,807,000 (31/12/2016: HK\$2,608,529,000), investment properties with an aggregate carrying amount of HK\$146,570,000 (31/12/2016: HK\$106,975,000), and deposits of HK\$50,785,000 (31/12/2016: HK\$50,663,000) placed with banks were pledged together with the assignment of twenty three (31/12/2016: twenty eight) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of eighteen (31/12/2016: twenty two) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

**Capital expenditures and commitments.** During the six months ended 30 June 2017, capital expenditure on additions of owned vessels was HK\$18,184,000 (30/6/2016: HK\$17,349,000), and on other property, plant and equipment was HK\$18,000 (30/6/2016: HK\$55,000). As at 30 June 2017 and 31 December 2016, there was no capital expenditure commitments contracted by the Group but not provided for.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSALS

#### DISPOSAL OF VESSELS

During the first half of 2017, the Group took the opportunity to enter into five memorandums of agreement to dispose four Supramaxes and one Handysize at a total consideration of US\$63,000,000 (approximately HK\$491,400,000). By using the net sale proceeds arisen from the disposals for the repayment of the vessel mortgage loans, the Group's overall indebtedness had been reduced by approximately HK\$408 million. The disposal of these five vessels would enable the Group to further enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio. For financial reporting purposes, these five disposed vessels 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 (disposed vessels) of HK\$49,149,000 was recognized in the first half of 2017 upon reclassification to assets held for sale. Two vessels were delivered to the respective buyers in April 2017 while the three remaining vessels were delivered to the respective buyers in June 2017. Given the unpredictable and often high earnings volatility in our industry, the disposal of the vessels can further reduce our debt service pressure from both principal repayments and interest payments in an expected rising interest rate environment. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate.

Save as disclosed above, the Group did not hold any significant investment nor did the Group carry out any material acquisition and disposal during the six months ended 30 June 2017.

#### ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY UNDER RIGHTS ISSUE

Subsequent to the reporting date, the board of Jinhui Shipping which is an approximately 54.77% owned subsidiary of the Company, resolved on 3 July 2017 to carry out the rights issue of Jinhui Shipping for raising up to NOK201.7 million (approximately HK\$186.8 million), before expenses, by issuing up to 25,213,602 Jinhui Shipping Offer Shares and list the new Jinhui Shipping Shares on the Oslo Stock Exchange, Norway.

On 3 July 2017, the Company and Jinhui Shipping entered into the Pre-Subscription Agreement in respect of the proposed Jinhui Shipping Rights Issue, under which the Company shall subscribe for its pro-rata share of the Jinhui Shipping Offer Shares (ie. 13,810,440 Jinhui Shipping Offer Shares) at the Subscription Price of NOK8.00 (approximately HK\$7.41) per Jinhui Shipping Offer Share at a total consideration of NOK110,483,520 (approximately HK\$102.3 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company announced on 2 August 2017, all the conditions precedent set out in the Pre-Subscription Agreement in respect of the Jinhui Shipping Rights Issue have been fulfilled. Pursuant to the terms of the Pre-Subscription Agreement, the Company subscribed for 13,810,440 Jinhui Shipping Offer Shares at the Subscription Price of NOK8.00 (approximately HK\$7.41) at a total consideration of NOK110,483,520 (approximately HK\$102.3 million). During the subscription period of the Jinhui Shipping Rights Issue, the Company also subscribed for the excess of 996,000 Jinhui Shipping Offer Shares through oversubscription at the Subscription Price of NOK8.00 (approximately HK\$7.41) at an additional consideration of NOK7,968,000 (approximately HK\$7.4 million).

On 26 July 2017, the Company was informed by Arctic Securities AS, sole manager for the Jinhui Shipping Rights Issue, that a total of 14,806,440 Jinhui Shipping Offer Shares had been allocated to the Company on the basis of exercised subscription rights and as a result of oversubscription. On 27 July 2017, the Company paid for the allocated Jinhui Shipping Offer Shares at a total consideration of NOK118,451,520 (approximately HK\$109.7 million). On 2 August 2017, the issuance of the new shares of Jinhui Shipping pursuant to the consummation of the Jinhui Shipping Rights Issue has been registered in Jinhui Shipping's register of members and the new allocated shares of 14,806,440 subscribed shares are delivered and registered to the Verdipapirsentralen (the "VPS") and the transaction in relation to full acceptance of Jinhui Shipping Rights Issue had been completed. After the completion of Jinhui Shipping Rights Issue and as of the date of this announcement, Jinhui Shipping is an approximately 55.69% owned subsidiary of the Company, whose shares are listed on the Oslo Stock Exchange, Norway.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2017, the Group had 68 (31/12/2016: 70) 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.

### **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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OUTLOOK

The first half of 2017 marked a more encouraging market for dry bulk shipping, with significant pick-up in activity in the freight market, and a busy S&P market reflected by a recovery in asset prices. Both the freight market and asset prices have since rebounded from its trough to more reasonable levels albeit still low from a historical stand point. We remain cautious nevertheless, and continue to see the path to a persistent recovery and demand supply equilibrium will not be without challenges given the changes we are facing in today's global economic landscape, an ever increasing global population, as well as changes in food, living and energy requirements.

A number of factors will continue to determine the pace of dry bulk market recovery: (1) continued positive demand growth in key dry bulk commodities importing activities from China and Asian countries; (2) a continue recovery or stabilization of dry commodity prices; and most importantly in our view (3) the reduction in shipbuilding capacity where irrational ordering, and hence oversupply in the market will be discouraged; and (4) geopolitical risks that affect world trading.

The previous round of excessive newbuilding orders driven by irrational expectations of financial return by parties with limited operating experience, with investment rationale driven mainly by their ability to access cheap funding in both the money and capital markets, and fee driven intermediaries acting as a catalyst backfired hard in 2016, leaving its mark as one of the most difficult years in the history of commercial shipping. Shipyards, buyers and ship financiers alike continue to face challenges left by the aftermath of this down cycle, resulting in a reduced projected fleet growth in the foreseeable future.

Delays, conversions of bulk newbuilding orders to other vessel types, cancellations, and shipyard defaults are currently leading to much fewer actual deliveries than previously scheduled. Asset based financing, in particular with respect to maritime assets continue to be a lot less easy and expensive to come by. A more stable operating environment will result if this continues, time will tell and we remain patient to witness a healthy market ahead of us.

Our mindset remains to be prudent and continue to watch out for uncertainties in the global markets, in particularly the freight market, as well as the financial, commodity, interest rate and currency markets. Unexpected events will occur and these 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 at this juncture. 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, and focusing on the further reduction of debt to ensure we sail through stormy waters.

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

Looking ahead, 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 remain resolute in our potential and ability to remain a trustworthy partner to those who support us, and continue to be a long term preferred tonnage provider to our customers.

By Order of the Board

**Ng Siu Fai**

*Chairman*

Hong Kong, 30 August 2017

## 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 2017, 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. Based on the size and simple operating structure of the Group as well as the existing internal control processes, the Board has decided not to set up an internal audit department for the time being. When necessary, the Audit Committee under the Board would carry out the internal audit function for reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group.

## **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 2017.

## **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, risk management and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017.

## **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 2017.

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

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 June 2016 (Unaudited) HK\$'000
Revenue	2	267,513	195,180
Other operating income	3	41,943	61,618
Interest income		7,257	9,145
Shipping related expenses		(165,376)	(226,334)
Staff costs		(29,947)	(42,569)
Impairment loss on assets held for sale	4	(49,149)	(97,906)
Other operating expenses		(32,164)	(45,539)
<b>Operating profit (loss) before depreciation and amortization</b>	5	<b>40,077</b>	<b>(146,405)</b>
Depreciation and amortization		(83,313)	(147,733)
<b>Operating loss</b>		<b>(43,236)</b>	<b>(294,138)</b>
Finance costs		(23,634)	(18,984)
<b>Loss before taxation</b>		<b>(66,870)</b>	<b>(313,122)</b>
Taxation	6	-	-
<b>Net loss for the period</b>		<b>(66,870)</b>	<b>(313,122)</b>
<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		50	(678)
<b>Total comprehensive loss for the period</b>		<b>(66,820)</b>	<b>(313,800)</b>
<b>Net loss for the period attributable to:</b>			
Shareholders of the Company		(35,983)	(175,026)
Non-controlling interests		(30,887)	(138,096)
		<b>(66,870)</b>	<b>(313,122)</b>
<b>Total comprehensive loss for the period attributable to:</b>			
Shareholders of the Company		(35,933)	(175,646)
Non-controlling interests		(30,887)	(138,154)
		<b>(66,820)</b>	<b>(313,800)</b>
<b>Loss per share</b>	7		
Basic and diluted		HK\$(0.068)	HK\$(0.330)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Note</i>	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		2,144,296	2,736,987
Investment properties	9	156,470	252,888
Available-for-sale financial assets	10	25,031	24,981
Intangible assets		1,088	1,111
		<b>2,326,885</b>	<b>3,015,967</b>
<b>Current assets</b>			
Inventories		4,128	1,833
Trade and other receivables	11	111,204	131,644
Financial assets at fair value through profit or loss	12	414,879	391,868
Pledged deposits		50,785	50,663
Bank balances and cash		298,545	240,872
		<b>879,541</b>	<b>816,880</b>
<b>Current liabilities</b>			
Trade and other payables	13	165,011	196,093
Secured bank loans	14	92,112	211,339
		<b>257,123</b>	<b>407,432</b>
<b>Net current assets</b>		<b>622,418</b>	<b>409,448</b>
<b>Total assets less current liabilities</b>		<b>2,949,303</b>	<b>3,425,415</b>
<b>Non-current liabilities</b>			
Secured bank loans	14	1,037,285	1,446,577
<b>Net assets</b>		<b>1,912,018</b>	<b>1,978,838</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
<b>EQUITY</b>		
<b>Equity attributable to shareholders of the Company</b>		
Issued capital	381,639	381,639
Reserves	756,314	792,247
	<b>1,137,953</b>	<b>1,173,886</b>
<b>Non-controlling interests</b>	<b>774,065</b>	<b>804,952</b>
<b>Total equity</b>	<b>1,912,018</b>	<b>1,978,838</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

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 2016	381,639	35,523	26,259	14,995	1,521,012	1,979,428	1,472,134	3,451,562
<b>Comprehensive loss</b>								
Net loss for the period	-	-	-	-	(175,026)	(175,026)	(138,096)	(313,122)
<b>Other comprehensive loss</b>								
Change in fair value of available-for-sale financial assets	-	-	-	(620)	-	(620)	(58)	(678)
<b>Total comprehensive loss for the period</b>	-	-	-	(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
At 1 January 2017	381,639	35,523	-	14,847	741,877	1,173,886	804,952	1,978,838
<b>Comprehensive loss</b>								
Net loss for the period	-	-	-	-	(35,983)	(35,983)	(30,887)	(66,870)
<b>Other comprehensive income</b>								
Change in fair value of available-for-sale financial assets	-	-	-	50	-	50	-	50
<b>Total comprehensive loss for the period</b>	-	-	-	50	(35,983)	(35,933)	(30,887)	(66,820)
Transfer to retained profits upon disposal of investment properties	-	(33,784)	-	-	33,784	-	-	-
At 30 June 2017	381,639	1,739	-	14,897	739,678	1,137,953	774,065	1,912,018

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 June 2016 (Unaudited) HK\$'000
<b>OPERATING ACTIVITIES</b>		
Cash generated from operations	44,688	204,903
Interest paid	(25,019)	(18,770)
<b>Net cash from operating activities</b>	<b>19,669</b>	<b>186,133</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	6,823	10,014
Dividend income received	787	1,985
Purchase of property, plant and equipment	(18,202)	(17,404)
Proceeds from disposal of property, plant and equipment	-	530
Proceeds from disposal of investment properties, net	96,445	-
Proceeds from disposal of assets held for sale, net	480,792	21,879
<b>Net cash from investing activities</b>	<b>566,645</b>	<b>17,004</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of secured bank loans	(528,519)	(186,868)
(Increase) Decrease in pledged deposits	(122)	2,833
<b>Net cash used in financing activities</b>	<b>(528,641)</b>	<b>(184,035)</b>
<b>Net increase in cash and cash equivalents</b>	<b>57,673</b>	<b>19,102</b>
<b>Cash and cash equivalents at 1 January</b>	<b>240,872</b>	<b>277,216</b>
<b>Cash and cash equivalents at 30 June</b>	<b>298,545</b>	<b>296,318</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 2017 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 statement of financial position and other explanatory notes as at 31 December 2016 that are included in these unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 as comparative information do not constitute the Company’s statutory annual consolidated financial statements for the year ended 31 December 2016 but are 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 2016 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 2016. 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 2016. Amendments to Hong Kong Financial Reporting Standards (“HKFRS”) effective for the financial year ending 31 December 2017 do not have any material impact on the interim financial statements of the Group.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 2. Revenue

Revenue represents chartering freight and hire income arising from the Group's owned vessels. Revenue recognized during the period is as follows:

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 June 2016 (Unaudited) HK\$'000
Chartering freight and hire income:		
Hire income under time charters	254,818	185,039
Freight income under voyage charters	12,695	10,141
	<b>267,513</b>	195,180

### 3. Other operating income

Other operating income for the first half of 2017 mainly included net gain of HK\$15,696,000 on financial assets at fair value through profit or loss and settlement income of HK\$5,108,000 from a charterer in relation to repudiation claims.

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.

### 4. Impairment loss on assets held for sale

During the first half of 2017, the Group took the opportunity to enter into five (30/6/2016: three) memorandums of agreement to dispose four (30/6/2016: three) Supramaxes and one (30/6/2016: nil) Handysize at a total consideration of US\$63,000,000, approximately HK\$491,400,000 (30/6/2016: US\$9,700,000, approximately HK\$75,660,000). Five vessels were delivered to the respective buyers and the disposals were completed in April and June 2017. The disposal of these five vessels would enable the Group to further enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio. Given the unpredictable and often high earnings volatility in our industry, the disposal of the vessels can further reduce our debt service pressure from both principal repayments and interest payments in an expected rising interest rate environment. For financial reporting purposes, these five (30/6/2016: three) disposed vessels 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 (disposed vessels) of HK\$49,149,000 (30/6/2016: HK\$97,906,000) was recognized in the first half of 2017 upon reclassification to assets held for sale.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

This is stated after charging / (crediting):

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 June 2016 (Unaudited) HK\$'000
Realized loss (gain) on financial assets at fair value through profit or loss	(6,260)	15,886
Unrealized loss (gain) on financial assets at fair value through profit or loss	(9,436)	6,221
Net loss (gain) on financial assets at fair value through profit or loss	(15,696)	22,107
Reversal of impairment loss on trade receivables	(26)	(208)
Loss on write-off of property, plant and equipment	72	-
Gain on disposal of investment properties	(27)	-
Dividend income	(1,137)	(2,261)

### 6. 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.

### 7. Loss per share

Basic and diluted loss per share were calculated on the net loss attributable to shareholders of the Company of HK\$35,983,000 for the six months ended 30 June 2017 (30/6/2016: HK\$175,026,000) and the weighted average number of 530,289,480 (30/6/2016: 530,289,480) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2017 and 2016 were the same as basic loss per share. There was no potentially dilutive ordinary shares in existence for the six months ended 30 June 2017. The impact of share options granted under the Company's share option scheme would have an anti-dilutive effect for the six months ended 30 June 2016.

### 8. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2017 (30/6/2016: nil).

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 9. Investment properties

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
At 1 January	252,888	192,870
Additions	-	6,668
Disposals	(96,418)	-
Change in fair value	-	53,350
<b>At 30 June / 31 December</b>	<b>156,470</b>	<b>252,888</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 2017 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 2016. Consequently, no increase or decrease in fair value of investment properties has been recognized in the current period.

On 8 December 2016, the Group entered into two provisional sale and purchase agreements with a third party to dispose of two investment properties located in Hong Kong at a total consideration of HK\$97,500,000, with carrying amount of HK\$96,418,000 at 31 December 2016. Both transactions were completed in the first half of 2017 and no material gain or loss is realized.

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Unlisted club debentures, at fair value	22,200	22,150
Unlisted club membership, at fair value	1,500	1,500
Unlisted club membership, at cost	1,331	1,331
	<b>25,031</b>	<b>24,981</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.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 11. Trade and other receivables

	<b>30 June 2017</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2016 <b>(Audited)</b> <i>HK\$'000</i>
Trade receivables	12,974	21,205
Prepayments, deposits and other receivables	98,230	110,439
	<b>111,204</b>	<b>131,644</b>

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

	<b>30 June 2017</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2016 <b>(Audited)</b> <i>HK\$'000</i>
Within 3 months	3,302	6,375
Over 3 months but within 6 months	542	3,250
Over 6 months but within 12 months	859	2,792
Over 12 months	8,271	8,788
	<b>12,974</b>	<b>21,205</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

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
<i>Held for trading</i>		
Equity securities		
Listed in Hong Kong	110,694	103,357
Listed outside Hong Kong	48,952	47,183
	159,646	150,540
Debt securities		
Listed in Hong Kong	249,671	235,773
Listed outside Hong Kong	5,562	5,555
	255,233	241,328
	414,879	391,868

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.

### 13. Trade and other payables

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Trade payables	4,271	8,625
Accrued charges and other payables	160,740	187,468
	165,011	196,093

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 3 months	213	1,366
Over 3 months but within 6 months	-	715
Over 6 months but within 12 months	303	859
Over 12 months	3,755	5,685
	4,271	8,625

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 14. Secured bank loans

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Vessel mortgage loans	1,129,397	1,657,916
Less: Amount repayable within one year	(92,112)	(211,339)
Amount repayable after one year	<u>1,037,285</u>	<u>1,446,577</u>

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

### 15. Capital expenditures and commitments

During the six months ended 30 June 2017, capital expenditure on additions of owned vessels was HK\$18,184,000 (30/6/2016: HK\$17,349,000), and on other property, plant and equipment was HK\$18,000 (30/6/2016: HK\$55,000).

As at 30 June 2017 and 31 December 2016, there was no capital expenditure commitments contracted by the Group but not provided for.

### 16. 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 2017 (Unaudited) HK\$'000	Six months ended 30 June 2016 (Unaudited) HK\$'000
Salaries and other benefits	17,837	28,045
Contributions to retirement benefits schemes	817	1,465
	<u>18,654</u>	<u>29,510</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 17. Events after the reporting date

Subsequent to the reporting date, the board of Jinhui Shipping which is an approximately 54.77% owned subsidiary of the Company, resolved on 3 July 2017 to carry out the rights issue of Jinhui Shipping for raising up to NOK201.7 million (approximately HK\$186.8 million), before expenses, by issuing up to 25,213,602 Jinhui Shipping Offer Shares and list the new Jinhui Shipping Shares on the Oslo Stock Exchange, Norway.

On 3 July 2017, the Company and Jinhui Shipping entered into the Pre-Subscription Agreement in respect of the proposed Jinhui Shipping Rights Issue, under which the Company shall subscribe for its pro-rata share of the Jinhui Shipping Offer Shares (ie. 13,810,440 Jinhui Shipping Offer Shares) at the Subscription Price of NOK8.00 (approximately HK\$7.41) per Jinhui Shipping Offer Share at a total consideration of NOK110,483,520 (approximately HK\$102.3 million).

The Company announced on 2 August 2017, all the conditions precedent set out in the Pre-Subscription Agreement in respect of the Jinhui Shipping Rights Issue had been fulfilled. Pursuant to the terms of the Pre-Subscription Agreement, the Company subscribed for 13,810,440 Jinhui Shipping Offer Shares at the Subscription Price of NOK8.00 (approximately HK\$7.41) at a total consideration of NOK110,483,520 (approximately HK\$102.3 million). During the subscription period of the Jinhui Shipping Rights Issue, the Company also subscribed for the excess of 996,000 Jinhui Shipping Offer Shares through oversubscription at the Subscription Price of NOK8.00 (approximately HK\$7.41) at an additional consideration of NOK7,968,000 (approximately HK\$7.4 million).

On 26 July 2017, the Company was informed by Arctic Securities AS, sole manager for the Jinhui Shipping Rights Issue, that a total of 14,806,440 Jinhui Shipping Offer Shares had been allocated to the Company on the basis of exercised subscription rights and as a result of oversubscription. On 27 July 2017, the Company paid for the allocated Jinhui Shipping Offer Shares at a total consideration of NOK118,451,520 (approximately HK\$109.7 million). On 2 August 2017, the issuance of the new shares of Jinhui Shipping pursuant to the consummation of the Jinhui Shipping Rights Issue has been registered in Jinhui Shipping's register of members and the new allocated shares of 14,806,440 subscribed shares are delivered and registered to the VPS and the transaction in relation to full acceptance of Jinhui Shipping Rights Issue had been completed. After the completion of Jinhui Shipping Rights Issue and as of the date of this announcement, Jinhui Shipping is an approximately 55.69% owned subsidiary of the Company, whose shares are listed on the Oslo Stock Exchange, Norway.

## PUBLICATION OF FINANCIAL INFORMATION

The interim report of the Company for the six months ended 30 June 2017 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.*