JINHUI HOLDINGS COMPANY LIMITED

金輝集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code : 137

OVERSEAS REGULATORY ANNOUNCEMENT

FOURTH QUARTER REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2016 AND
PRELIMINARY ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016
OF
JINHUI SHIPPING AND TRANSPORTATION LIMITED

This overseas regulatory announcement is made by Jinhui Holdings Company Limited (the "Company") in compliance with Rule 13.09 and 13.10(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Please refer to the attached announcement released on 27 February 2017 through the Oslo Stock Exchange by Jinhui Shipping and Transportation Limited ("Jinhui Shipping"), an approximately 54.77% owned subsidiary of the Company, in accordance with the regulations of the Oslo Stock Exchange.

The principal accounting policies and methods of computation used in the preparation of the attached unaudited consolidated results of Jinhui Shipping and its subsidiaries are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Jinhui Holdings Company Limited
Ng Siu Fai
Chairman

Hong Kong, 27 February 2017

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

JINHUI SHIPPING

AND TRANSPORTATION LIMITED

Fourth Quarter Report for the Quarter Ended 31 December 2016 and Preliminary Annual Results for the Year Ended 31 December 2016

HIGHLIGHTS

For the Year Ended 31 December 2016

- Revenue for the year: US$60 million
- Net loss for the year: US$189 million included non-cash impairment losses on owned vessels of US$113 million and assets held for sale (disposed vessels) of US$45 million
- Basic loss per share: US$2.250
- Gearing ratio as at 31 December 2016: 61%

For the Fourth Quarter of 2016

- Revenue for the quarter: US$16 million
- Net loss for the quarter: US$121 million included non-cash impairment losses on owned vessels of US$113 million and assets held for sale (disposed vessels) of US$7.9 million
- Basic loss per share: US$1.445

The Board of **Jinhui Shipping and Transportation Limited** (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the quarter and year ended 31 December 2016.

FOURTH QUARTER AND ANNUAL RESULTS

Revenue for the fourth quarter of 2016 declined 19% to US$15,932,000, comparing to US$19,723,000 for the corresponding quarter in 2015. The Company recorded a consolidated net loss of US$121,440,000 for current quarter as compared to a consolidated net loss of US$338,429,000 for the corresponding quarter in 2015. Basic loss per share was US$1.445 for the fourth quarter of 2016 while basic loss per share was US$4.027 for the corresponding quarter in 2015.

Revenue for the year 2016 declined 31% to US$59,955,000, comparing to US$86,303,000 for the year 2015. The Company recorded a consolidated net loss of US$189,091,000 for the year 2016 while a consolidated net loss of US$378,743,000 was reported in 2015. The substantial consolidated net losses for both years were mainly attributable to the recognition of impairment loss on owned vessels of US$113,010,000 in 2016 and US$325,011,000 in 2015 in the annual test for impairment on owned vessels for both years and impairment loss on assets held for sale (disposed vessels) of US$45,462,000 recognized upon reclassification to assets held for sale of two Panamaxes, five Supramaxes and one Handymax for which the Group entered into disposal agreements and relevant disposals were completed in 2016. The disposal of the eight vessels represented an opportunity for the Group to readjust its fleet profile and reduce our operational risk exposures in current high-risk volatile markets and the disposal of the vessels will reduce the indebtedness of the Group, as well as improving the liquidity position of the Group. The impairment losses on owned vessels and assets held for sale (disposed vessels) are non-cash in nature and do not have impact on the operating cash flows of the Group. Basic loss per share for the year was US$2.250 as compared to basic loss per share of US$4.506 for the year 2015.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2016. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2016.

REVIEW OF OPERATIONS

Fourth Quarter of 2016. Dry bulk freight rates have improved in the fourth quarter of 2016 driven by continued scrapping activities and firmer demand for tonnages due to cheap bunker prices which encourage long ton-miles seaborne trading activities and the larger carriers. Baltic Dry Index ("BDI") opened at 875 points at the beginning of October and had shown an upward trend during the fourth quarter. The market freight rates started to soften in December when approaching year-end holidays and the BDI closed at 961 points by end of December.

Revenue for the fourth quarter of 2016 was US$15,932,000, representing a decrease of 19% as compared to US$19,723,000 for the fourth quarter of 2015. The drop in revenue was mainly due to the reduced number of owned vessels. The average daily time charter equivalent rates ("TCE") earned by the Group's fleet slightly increase 3% to US$5,812 for the fourth quarter of 2016 as compared to US$5,632 for the corresponding quarter in 2015, details as follows:

Average daily TCE	**2016 Q4 *US$***	2015 Q4 *US$*	**2016 *US$***	2015 *US$*
Post-Panamax / Panamax fleet	**6,173**	5,456	**4,475**	5,456
Supramax / Handymax / Handysize fleet	**5,772**	5,654	**4,922**	6,519
In average	**5,812**	5,632	**4,871**	6,412

Shipping related expenses dropped from US$20,451,000 for the fourth quarter in 2015 to US$12,953,000 for the current quarter. The decrease was mainly attributable to the reduced number of owned vessels and the continued efforts in reducing vessels' running costs under the Group's cost reduction strategy in order to remain competitive in the current tough market environment.

At end of 2016, the Group performed an impairment review on owned vessels and recognized impairment loss of US$113,010,000 on owned vessels and the reason for such recognition was explained in later paragraph.

Year 2016. Year 2016 had been the worst year for dry bulk shipping market. 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. The unexpected difficult market environments inevitably added tremendous liquidity pressures to ship owners. The vessels asset prices and freight rates had gone in a downward spiral given the literal meltdown of confidence and freight rates were bottoming below ship owners' operating costs. The BDI hit new historical lows at 290 points in February 2016. The dry bulk commodities market and shipping market had regained some momentums since March 2016 and it was widely believed that the dry bulk shipping market was bottoming out as both freight rates and vessels values tend to move in an upward trend. While we believed the market would continue to recover where a better balance of demand and supply of tonnages, the volatility in freight rates had deeply dent our business performance, as well as the carrying value of our shipping assets and financial assets. We continue to see uncertainties towards the recovery and its sustainability in dry bulk shipping market and we believe it will be prudent to periodically reduce indebtedness and enhance our liquidity when such opportunities arise. The overall recovery in dry bulk shipping market require a stronger demand and supply rebalance through slowing fleet growth, layups and scrapping of tonnages.

Revenue for the year 2016 declined 31% to US$59,955,000, comparing to US$86,303,000 for the year 2015. The Company recorded a consolidated net loss of US$189,091,000 for the year 2016 while a consolidated net loss of US$378,743,000 was reported in 2015. The average daily TCE earned by the Group's fleet dropped 24% to US$4,871 for year 2016 as compared to US$6,412 for year 2015. The drop in revenue was mainly due to the reduced number of owned vessels and the large exposure to spot market as freight rates kept declining to unexpectedly low level in early 2016.The substantial consolidated net losses for both years were also attributable to the recognition of impairment loss on owned vessels of US$113,010,000 in 2016 and US$325,011,000 in 2015 in the annual test for impairment on owned vessels for both years and impairment loss on assets held for sale (disposed vessels) of US$45,462,000 recognized upon reclassification to assets held for sale of two Panamaxes, five Supramaxes and one Handymax for which the Group entered into disposal agreements and relevant disposals were completed in 2016. The impairment losses on owned vessels and assets held for sale (disposed vessels) are non-cash in nature and do not have impact on the operating cash flows of the Group. Basic loss per share for the year was US$2.250 as compared to basic loss per share of US$4.506 for the year 2015.

Other operating income decreased from US$33,103,000 for the year 2015 to US$20,535,000 for the year 2016 due to the reduced settlement income received from charterers in relation to repudiation claims from US$23,496,000 to US$5,621,000 in 2016. The Group will continue to seek all legal means to recover the amounts granted in the arbitration awards.

For the year 2016, the Group took the opportunity to enter into eight memorandums of agreement to dispose two Panamaxes, five Supramaxes and one Handymax. The Directors believe that the disposal of the vessels would enable the Group to enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio and reduce our exposure in operational risk in the unpredictable and volatile market environment.

For financial reporting purposes, these eight disposed vessels were reclassified to "Assets held for sale" in accordance with IFRS 5 and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale (disposed vessels) of US$7,880,000 and US$45,462,000 were recognized in the fourth quarter and in 2016 respectively upon reclassification to assets held for sale. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate.

Given the abrupt changes in shipping market environment in 2016 and the overall unexpected volatility in the macro environment has caused a disruption in many markets including the dry bulk shipping market, which has gone through extreme wild swings within a very short timescale, we consider there is a change in the expectation of the long term intrinsic values since the Group's last review of our assets. In view of the significant decrease in market value of dry bulk vessels in the market, the management considered that impairment indication of the Group's fleet existed at end of 2016.

With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the impairment review, the Group's owned vessels' recoverable amounts which were determined based on the higher of the fair value less costs of disposal and value in use and were significantly less than their respective carrying amounts at end of 2016. Accordingly, an impairment loss of US$113,010,000 on owned vessels was recognized at end of 2016 to reflect our change in the expectation on the long term global economic and the dry bulk shipping industry outlook which affect the assumptions applied in estimation of the value in use of our vessels. The impairment losses on owned vessels and assets held for sale (disposed vessels) are non-cash in nature and do not have impact on the operating cash flows of the Group. Long term financial stability is more important and defensive actions in reducing indebtedness and further increase of liquidity will ensure the Group to safely sail through any unexpected volatilities in the market going forward.

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 emphasis on prudence and stability as our core objectives going forward.

FINANCIAL REVIEW

As at 31 December 2016, the total of the Group's equity and debt securities, bank balances and cash decreased to US$74,722,000 (2015: US$121,195,000) and bank borrowings decreased to US$212,554,000 (2015: US$317,483,000). The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, increased to 61% (2015: 47%) as at 31 December 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 31 December 2016, the Group is able to service its debt obligations, including principal and interest payments. During the year, capital expenditure on additions of property, plant and equipment was US$5,014,000 (2015: US$12,326,000) and on investment properties was US$855,000 (2015: US$450,000). As at 31 December 2016 and 2015, there was no capital expenditure commitments contracted by the Group but not provided for.

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. An intercreditor deed (the "ICD") between the Company (as corporate guarantor), twenty five wholly-owned subsidiaries as borrowers of relevant vessel mortgage loans (the "Borrowers") and four major lenders (as lenders of relevant vessel mortgage loans) (collectively, the "Parties") was executed on 8 December 2016 and the effective date took place on 28 December 2016 after the conditions precedent had been fulfilled.

Pursuant to the terms of the ICD, among others, the Parties agreed that the Borrowers shall pay 50% of each repayment installment during the forbearance period until 31 December 2018 (with early restructuring exit option) and the remaining 50% of each such installment be deferred and repaid within two business days after the end of the forbearance period in 2019. Any asset coverage ratio covenant and financial covenant as set out in the relevant loan facilities are waived and suspended, among others, during the forbearance period. The Borrowers are not required to provide additional securities under the ICD, but have agreed on cross-collateralization over the mortgaged vessels among each lender. The Borrowers shall pay an increased margin of 0.75% per annum during the forbearance period and 0.5% per annum after the forbearance period as long as any amount is outstanding under the relevant loan facilities. The rescheduling of indebtedness would allow the Group to preserve liquidity and financial resources to weather the unprecedented storm in dry bulk shipping market.

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.

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 31 December 2016, the Group had twenty eight owned vessels as follows:

	Number of owned vessels
Post-Panamax fleet	2
Supramax fleet	25
Handysize fleet	1
Total fleet	**28**

Subsequent to the reporting date, the Group entered into four memorandums of agreement on 24 February 2017 to dispose of four Supramaxes with expected delivery dates between 1 March 2017 and 15 April 2017.

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.

OUTLOOK

2016 was one of the toughest years for dry bulk shipping. Both the freight market and asset price went through a confidence meltdown during the first half of 2016, and have since rebounded from its trough to better levels though still uninspiring. The expected path to meaningful recovery and equilibrium not without its challenges.

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; (2) a continue recovery or stabilization of dry commodity prices; and most importantly in our view (3) the reduction in shipbuilding capacity where irrational order, and hence oversupply will be discouraged; (4) The US policies will be a swing factor with a new president in office.

The difficulties faced by shipyards, buyers and financiers are all pointing towards a much reduced projected fleet growth. 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 all industry participants a very bitter memory.

Delays, conversions of bulk newbuilding orders to other vessel types, cancellations, and shipyard defaults are leading to much fewer actual deliveries than previously scheduled. Asset based financing, in particular with respect to maritime assets will be harder and more expensive to come by going forward.

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 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, 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.

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.

PUBLICATION OF FINANCIAL INFORMATION

This report is available on the website of the Company at www.jinhuiship.com and the NewsWeb of the Oslo Stock Exchange at www.newsweb.no.

By Order of the Board

Ng Siu Fai
Chairman

27 February 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (PRELIMINARY)

	Note	**3 months ended 31/12/2016 (Unaudited) *US$'000***	3 months ended 31/12/2015 (Unaudited) *US$'000*	**Year ended 31/12/2016 (Unaudited) *US$'000***	Year ended 31/12/2015 (Audited) *US$'000*
Revenue	*2*	**15,932**	19,723	**59,955**	86,303
Other operating income		**10,658**	6,228	**20,535**	33,103
Interest income		**470**	770	**2,121**	4,198
Shipping related expenses		**(12,953)**	(20,451)	**(54,465)**	(78,749)
Staff costs		**(2,201)**	(2,572)	**(9,334)**	(10,989)
Impairment loss on owned vessels	*4*	**(113,010)**	(325,011)	**(113,010)**	(325,011)
Impairment loss on assets held for sale	*5*	**(7,880)**	-	**(45,462)**	-
Other operating expenses		**(3,723)**	(2,233)	**(9,664)**	(28,585)
Operating loss before depreciation and amortization		**(112,707)**	(323,546)	**(149,324)**	(319,730)
Depreciation and amortization		**(7,401)**	(13,732)	**(34,652)**	(54,167)
Operating loss		**(120,108)**	(337,278)	**(183,976)**	(373,897)
Finance costs		**(1,332)**	(1,151)	**(5,115)**	(4,846)
Loss before taxation		**(121,440)**	(338,429)	**(189,091)**	(378,743)
Taxation	*7*	**-**	-	**-**	-
Net loss for the period / year		**(121,440)**	(338,429)	**(189,091)**	(378,743)
Other comprehensive loss					
Items that may be reclassified subsequently to profit or loss:					
Change in fair value of available-for-sale financial assets		**(6)**	-	**(23)**	-
Total comprehensive loss for the period / year attributable to shareholders of the Company		**(121,446)**	(338,429)	**(189,114)**	(378,743)
Loss per share	*8*				
- Basic and diluted		**US$(1.445)**	US$(4.027)	**US$(2.250)**	US$(4.506)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PRELIMINARY)

	Note	31/12/2016 (Unaudited) US$'000	31/12/2015 (Audited) US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**346,638**	598,179
Investment properties	*10*	**14,984**	9,397
Available-for-sale financial assets	*11*	**363**	386
		361,985	607,962
Current assets			
Inventories		**235**	1,917
Trade and other receivables		**16,823**	17,954
Financial assets at fair value through profit or loss	*12*	**46,168**	87,077
Pledged deposits		**6,495**	10,376
Bank balances and cash		**28,554**	34,118
		98,275	151,442
Total assets		**460,260**	759,404
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		**4,202**	4,202
Reserves		**220,091**	409,205
Total equity		**224,293**	413,407
Non-current liabilities			
Secured bank loans		**185,459**	234,141
Current liabilities			
Trade and other payables		**23,343**	28,456
Amount due to holding company		**70**	58
Secured bank loans		**27,095**	83,342
		50,508	111,856
Total equity and liabilities		**460,260**	759,404

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PRELIMINARY)

	Issued capital	Share premium	Capital redemption reserve	Contributed surplus	Employee share-based compensation reserve	Reserve for available-for-sale financial assets	Retained profits	Total equity
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2015	4,202	72,087	719	16,297	4,758	48	694,039	792,150
Comprehensive loss								
Loss for the year	-	-	-	-	-	-	(378,743)	(378,743)
Total comprehensive loss for the year	-	-	-	-	-	-	(378,743)	(378,743)
At 31 December 2015	4,202	72,087	719	16,297	4,758	48	315,296	413,407

	Issued capital	Share premium	Capital redemption reserve	Contributed surplus	Employee share-based compensation reserve	Reserve for available-for-sale financial assets	Retained profits	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2016	4,202	72,087	719	16,297	4,758	48	315,296	413,407
Comprehensive loss								
Loss for the year	-	-	-	-	-	-	(189,091)	(189,091)
Other comprehensive loss								
Change in fair value of available-for-sale financial assets	-	-	-	-	-	(23)	-	(23)
Total comprehensive loss for the year	-	-	-	-	-	(23)	(189,091)	(189,114)
Transaction with owners								
Lapse of employee share options	-	-	-	-	(4,758)	-	4,758	-
Total transaction with owners	-	-	-	-	(4,758)	-	4,758	-
At 31 December 2016	**4,202**	**72,087**	**719**	**16,297**	**-**	**25**	**130,963**	**224,293**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (PRELIMINARY)

	Year ended 31/12/2016 (Unaudited) *US$'000*	Year ended 31/12/2015 (Audited) *US$'000*
OPERATING ACTIVITIES		
Cash generated from operations	**39,793**	47,612
Interest paid	**(5,124)**	(4,902)
Net cash from operating activities	**34,669**	42,710
INVESTING ACTIVITIES		
Interest received	**2,444**	4,560
Decrease in bank deposits with more than three months to maturity when placed	**-**	14,408
Dividend income received	**721**	1,815
Purchase of property, plant and equipment	**(4,990)**	(12,307)
Purchase of investment properties	**(855)**	(450)
Proceeds from disposal of property, plant and equipment	**68**	-
Proceeds from disposal of assets held for sale	**63,427**	-
Net cash from investing activities	**60,815**	8,026
FINANCING ACTIVITIES		
New secured bank loans	**-**	1,683
Repayment of secured bank loans	**(104,929)**	(86,698)
Decrease in pledged deposits	**3,881**	12,241
Net cash used in financing activities	**(101,048)**	(72,774)
Net decrease in cash and cash equivalents	**(5,564)**	(22,038)
Cash and cash equivalents at 1 January	**34,118**	56,156
Cash and cash equivalents at 31 December	**28,554**	34,118

NOTES (PRELIMINARY):

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and have not been reviewed by our auditor, Grant Thornton Hong Kong Limited. The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2015. Amendments to International Financial Reporting Standards (“IFRS”) and Hong Kong Financial Reporting Standards (“HKFRS”) effective for the financial year ended 31 December 2016 do not have any material impact on the interim financial statements of the Group.

2. Revenue

The Group is principally engaged in the businesses of ship chartering and ship owning which are carried out internationally. Revenue represents chartering freight and hire income arising from the Group’s owned vessels. Revenue recognized during the periods / years are as follows:

	3 months ended 31/12/2016	3 months ended 31/12/2015	**Year ended 31/12/2016**	Year ended 31/12/2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$’000	*US$’000*	***US$’000***	*US$’000*
Chartering freight and hire income:				
Hire income under time charters	**14,689**	14,395	**57,412**	71,477
Freight income under voyage charters	**1,243**	5,328	**2,543**	14,826
	15,932	19,723	**59,955**	86,303

3. Other operating income

Other operating income for the year 2016 mainly included change in fair value of investment properties of US$4,732,000 and settlement income of US$5,621,000 from charterers in relation to repudiation claims.

Other operating income for the year 2015 mainly included settlement income of US$23,496,000 from charterers in relation to repudiation claims.

4. Impairment loss on owned vessels

For the first half of 2016, it had been the worst for dry bulk shipping market as asset prices had gone in a downward spiral given the literal meltdown of confidence. The market has since rebounded significantly from its trough but while we believe the market will continue to recover where a better balance of demand and supply of vessels, 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 going forward. This will inevitably introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. In view of the significant decrease in market value of dry bulk vessels in the market, the management considered that impairment indication of the Group's fleet existed at end of 2016. With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the impairment review, the Group's owned vessels' recoverable amounts which were determined based on the higher of the fair value less costs of disposal and value in use and were significantly less than their respective carrying amounts at end of 2016. Accordingly, an impairment loss of US$113,010,000 on owned vessels was recognized at end of 2016 to reflect our change in the expectation on the long term global economic and the dry bulk shipping industry outlook which affect the assumptions applied in estimation of the value in use of our vessels.

For the year 2015, the Group recorded impairment loss of US$325,011,000 on owned vessels.

5. Impairment loss on assets held for sale

The Group took the opportunity to enter into eight memorandums of agreement to dispose two Panamaxes, five Supramaxes and one Handymax at a total consideration of US$65,100,000 in 2016. These eight vessels had been delivered to the purchasers in the year. The disposal of these eight vessels would enable the Group to enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio as well as keeping our strategy to maintain a young and modern fleet. For financial reporting purposes, these eight disposed vessels were reclassified to "Assets held for sale" in accordance with IFRS 5 and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale (disposed vessels) of US$7,880,000 and US$45,462,000 were recognized in the fourth quarter and in 2016 respectively upon reclassification to assets held for sale.

6. **Operating loss before depreciation and amortization**

This is stated after charging / (crediting):

	3 months ended 31/12/2016	3 months ended 31/12/2015	**Year ended 31/12/2016**	Year ended 31/12/2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
Realized loss on financial assets at fair value through profit or loss	**9**	6,569	**1,719**	5,767
Unrealized loss (gain) on financial assets at fair value through profit or loss	**845**	(8,272)	**367**	13,510
Net loss (gain) on financial assets at fair value through profit or loss	**854**	(1,703)	**2,086**	19,277
Impairment loss (Reversal of impairment loss) on trade receivables	**-**	1,058	**(50)**	701
Dividend income	**(295)**	(406)	**(756)**	(2,069)
Loss on write-off of vessel under construction	**-**	-	**-**	2,910

7. **Taxation**

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

8. **Loss per share**

Basic and diluted loss per share for the quarter and year ended 31 December 2016 were calculated on the respective net loss of US$121,440,000 for the quarter and US$189,091,000 for the year and the weighted average number of 84,045,341 ordinary shares in issue during the quarter / year.

Basic and diluted loss per share for the quarter and year ended 31 December 2015 were calculated on the respective net loss of US$338,429,000 for the quarter and US$378,743,000 for the year and the weighted average number of 84,045,341 ordinary shares in issue during the quarter / year.

9. **Dividend**

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2016 (2015: nil).

10. Investment properties

	31/12/2016 (Unaudited) *US$'000*	31/12/2015 (Audited) *US$'000*
At 1 January	**9,397**	8,546
Additions	**855**	450
Change in fair value	**4,732**	401
	14,984	9,397

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.

At the reporting date, the fair values of the Group's investment properties were determined by Centaline Surveyors Limited, an independent qualified professional valuer, on direct comparison approach on annually basis with reference to comparable transactions available in the relevant locality. In estimating the fair value of investment properties, the highest and best use of the properties is their current use. The fair value measurement of these investment properties was categorized as Level 3 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the year.

11. Available-for-sale financial assets

	31/12/2016 (Unaudited) *US$'000*	31/12/2015 (Audited) *US$'000*
Unlisted club membership, at fair value	**193**	216
Unlisted club membership, at cost	**170**	170
	363	386

Unlisted club membership stated at fair value represented investment in club membership which its fair value can be determined directly by reference to published price quotation in active market. At the reporting date, the fair value measurement of this unlisted club membership was categorized as Level 1 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the 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. Financial assets at fair value through profit or loss

	31/12/2016	31/12/2015
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Held for trading or not qualifying as hedges		
Listed equity securities	**15,229**	39,119
Listed debt securities	**30,939**	47,958
	46,168	87,077

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 IFRS 13 and HKFRS 13. There was no transfer among the three levels of the fair value hierarchy during the year.

13. Capital expenditures and commitments

During the year, capital expenditure on additions of property, plant and equipment was US$5,014,000 (2015: US$12,326,000) and on investment properties was US$855,000 (2015: US$450,000). As at 31 December 2016 and 2015, there was no capital expenditure commitments contracted by the Group but not provided for.

14. Related party transactions

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

	3 months ended 31/12/2016	3 months ended 31/12/2015	**Year ended 31/12/2016**	Year ended 31/12/2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*
Salaries and other benefits	**1,307**	2,169	**5,577**	6,951
Contributions to retirement benefits schemes	**49**	90	**281**	363
	1,356	2,259	**5,858**	7,314

15. Events after the reporting date

Subsequent to the reporting date, the Group entered into four memorandums of agreement on 24 February 2017 to dispose of four Supramaxes with expected delivery dates between 1 March 2017 and 15 April 2017. The four agreements are not inter-conditional. The total consideration for four vessels is US$48 million. The vessels will be reclassified to "Assets held for sale" in accordance with IFRS 5 and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" in the first quarter of 2017. The Group expects that a further impairment loss in relation to these four vessels of approximately US$6.8 million would be recognized in the first quarter of 2017 upon reclassification to assets held for sale and no material book loss will be recorded any further upon the completion of the disposal of these four vessels.

JINHUI

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