JINHUI

# 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 2019

# HIGHLIGHTS
## FOR THE FIRST HALF OF 2019

- Revenue for the period: HK$209 million
- Net loss attributable to shareholders for the period: HK$4 million
- Operating profit for the period: HK$18 million
- Basic loss per share: HK$0.007
- Gearing ratio as at 30 June 2019: 8%

## 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 2019.

## INTERIM RESULTS

The Group's revenue for the first half of 2019 was HK$208,913,000 whereas HK$312,736,000 was reported in the same period of 2018. The net loss attributable to shareholders of the Company for the first half of 2019 was HK$3,574,000 while a net profit of HK$18,907,000 was reported in the first half of 2018. Basic loss per share for the six months ended 30 June 2019 was HK$0.007 as compared to basic earnings per share of HK$0.036 for the corresponding period in 2018.

## INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2019 (30/6/2018: nil).

## BUSINESS REVIEW

**Chartering freight and hire.** The Group operates its worldwide shipping activities through Jinhui Shipping and Transportation Limited, an approximately 55.69% owned subsidiary of the Company, whose shares are listed on the Oslo Stock Exchange, Norway.

Dry bulk shipping market remained weak in the first half of 2019, amid the negative sentiment and uncertainty arisen from the US-China trade dispute. In the first quarter of the year, the collapse of mining dam in Brazil had disrupted the demand for dry bulk carriers. Both Baltic Dry Index ("BDI") and charter rates had dropped drastically in the first quarter of the year and gradually improved in the second quarter due to limited fleet growth and stabilized dry bulk commodities seaborne trades. The average of BDI for the first half of 2019 was 895 points, which compares to 1,217 points in the same period in 2018.

| Average daily time charter equivalent rates ("TCE") | **2019 1st half** | 2018 1st half | 2018 |
|---|---|---|---|
| | ***US$*** | *US$* | *US$* |
| Post-Panamax fleet | **7,473** | 11,722 | 11,689 |
| Supramax fleet | **8,376** | 9,725 | 9,743 |
| In average | **8,277** | 9,892 | 9,922 |

| Key Performance Indicators for Shipping Business | **2019 1st half** | 2018 1st half | 2018 |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Average daily TCE | **65** | 77 | 77 |
| Daily vessel running cost | **29** | 30 | 31 |
| Daily vessel depreciation | **17** | 16 | 16 |
| Daily vessel finance cost | **3** | 3 | 3 |
| | **49** | 49 | 50 |
| Average utilization rate | **99%** | 99% | 99% |

As at 30 June 2019, the Group had nineteen owned vessels. The average daily TCE earned by the Group's owned vessels decreased 16% to US$8,277 (approximately HK$65,000) for the first half of 2019 as compared to US$9,892 (approximately HK$77,000) for the first half of 2018. Daily vessel running cost decreased 4% from US$3,872 (approximately HK$30,000) for the first half of 2018 to US$3,709 (approximately HK$29,000) for the first half of 2019 due to the reduction in the number of vessels as the Group had disposed of four motor vessels in the second half of 2018. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants. Fleet utilization rate is 99% for the first half of 2019 which is same as the first half of 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2019, the Group had nineteen owned vessels as follows:

| | Number of owned vessels |
|---|---|
| Post-Panamax fleet | 2 |
| Supramax fleet | 17 |
| **Total fleet** | **19** |

During the first half of 2019, the Group had entered into an agreement on 2 January 2019 to dispose a Supramax of deadweight 50,209 metric tons at a consideration of US$7,381,000 (approximately HK$57,570,000), which was delivered to the purchaser in March 2019.

The Group entered into respective agreements on 23 April 2019 in respect of the acquisition of two Supramaxes at a total consideration of US$12,000,000 (approximately HK$93,600,000). The first vessel was delivered to the Group in May 2019. However, as one of the clauses with regards to a timely delivery of the second vessel under the second agreement cannot be fulfilled by the second vendor, the acquisition of the second vessel according to the second agreement was terminated on 4 June 2019. The initial deposit of US$625,000 (approximately HK$4,875,000) lodged with the escrow agent has been refunded to the Group in accordance with the terms of the second agreement.

Following the above disposal and acquisition of the vessels, the Group's total carrying capacity had been increased to deadweight 1,136,304 metric tons as at 30 June 2019.

## FINANCIAL REVIEW

**Revenue and operating profit (loss).** The Group's revenue for the first half of 2019 decreased 33% to HK$208,913,000, comparing to HK$312,736,000 for the first half of 2018. The drop in revenue for the period was mainly due to the decline in market freight rates and the reduction in the number of Group's owned vessels after the disposal of four motor vessels in the second half of 2018. The Company recorded a consolidated net loss of HK$746,000 for the first half of 2019 while a consolidated net profit of HK$37,267,000 was reported in the first half of 2018. The average daily TCE earned by the Group's fleet decreased 16% to US$8,277 (approximately HK$65,000) for the first half of 2019 as compared to US$9,892 (approximately HK$77,000) for the corresponding period in 2018. Basic loss per share for the period was HK$0.007 as compared to basic earnings per share of HK$0.036 for the first half of 2018.

**Other operating income.** Other operating income increased from HK$24,223,000 for the first half of 2018 to HK$47,429,000 for the first half of 2019 mainly included dividend income of HK$6,293,000, net gain of HK$4,746,000 on disposal of assets held for sale (disposed vessel), net gain of HK$19,239,000 on financial assets at fair value through profit or loss, rental income of HK$2,540,000 and settlement income of HK$4,789,000 from a charterer in relation to repudiation claims.

For the first half of 2019, the Group recorded net gain of HK$19,239,000 on financial assets at fair value through profit or loss which was mainly attributable to the realized gain on investment portfolio. We remain cautious with the increased volatility due to the negative effect of the US-China trade war, as well as the fluid outlook of interest rates.

**Shipping related expenses.** Shipping related expenses for the period reduced from HK$149,846,000 for the first half of 2018 to HK$120,750,000 for the first half of 2019. The decrease was attributable to the reduction in the number of vessels as the Group had disposed of four motor vessels in the second half of 2018. Daily vessel running cost decreased from US$3,872 (approximately HK$30,000) for the first half of 2018 to US$3,709 (approximately HK$29,000) for the first half of 2019. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

**Finance costs.** Finance costs increased from HK$12,645,000 for the first half of 2018 to HK$18,565,000 for the first half of 2019. The increase was mainly attributable to the rising LIBOR that increased our borrowing cost for loans committed on floating rate and the increase in new secured bank loans for the period.

**Financial assets at fair value through profit or loss.** As at 30 June 2019, the Group's portfolio of investment in financial assets at fair value through profit or loss was HK$625,780,000 (31/12/2018: HK$323,606,000), in which HK$426,789,000 (31/12/2018: HK$285,267,000) was investment in listed equity securities, HK$198,991,000 (31/12/2018: HK$33,968,000) was investment in listed debt securities and no investment in equity linked notes (31/12/2018: HK$4,371,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

**Liquidity, financial resources and capital structure.** As at 30 June 2019, the Group maintained positive working capital position of HK$367,607,000 (31/12/2018: HK$479,832,000) and the total of the Group's equity and debt securities, bank balances and cash increased to HK$906,671,000 (31/12/2018: HK$712,506,000). During the first half of 2019, cash generated from operations before changes in working capital was HK$56,914,000 (30/6/2018: HK$115,235,000) and the net cash used in operating activities after working capital changes was HK$265,370,000 (30/6/2018: net cash from operating activities after working capital changes was HK$34,111,000). The changes in working capital are mainly attributable to the increase in equity and debt securities which generally contribute a higher yield than bank deposits. During the first half of 2019, the Group's net gain on financial assets at fair value through profit or loss was HK$19,239,000 (30/6/2018: HK$63,000) and the aggregate interest income and dividend income from financial assets was HK$18,590,000 (30/6/2018: HK$8,235,000).

The Group's total secured bank loans increased from HK$829,473,000 as of 31 December 2018 to HK$1,066,963,000 as at 30 June 2019, of which 51%, 10%, 31% and 8% are repayable respectively within one year, one to two years, two to five years and over five years. During the period, the Group had drawn new revolving loans and term loan of HK$402,268,000 for working capital purpose. The bank borrowings represented vessel mortgage loans that were denominated in United States Dollars, revolving loans, term loan and property mortgage loans that were denominated in Hong Kong Dollars. All bank borrowings 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 8% (31/12/2018: 6%) as at 30 June 2019. 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 2019, the Group is able to service its debt obligations, including principal and interest payments.

**Pledge of assets.** As at 30 June 2019, the Group's property, plant and equipment with an aggregate net book value of HK$1,667,411,000 (31/12/2018: HK$1,716,113,000), investment properties with an aggregate carrying amount of HK$386,610,000 (31/12/2018: HK$386,610,000), financial assets at fair value through profit or loss of HK$471,995,000 (31/12/2018: nil) and deposits of HK$31,025,000 (31/12/2018: HK$26,722,000) placed with banks were pledged together with the assignment of eighteen (31/12/2018: eighteen) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of ten (31/12/2018: ten) ship owning subsidiaries were pledged to banks for secured bank loans.

**Capital expenditures and commitments.** During the six months ended 30 June 2019, capital expenditure on additions of owned vessels was HK$55,869,000 (30/6/2018: HK$14,793,000), on other property, plant and equipment was HK$1,326,000 (30/6/2018: HK$1,207,000) and on investment properties was HK$33,773,000 (30/6/2018: HK$122,605,000).

On 20 April 2018, an approximately 55.69% indirectly owned subsidiary of the Company (the "Co-Investor") entered into the co-investment documents to co-invest in a property project in Tower 3 of Shanghai Financial Street Center, Jing'an Central Business District, Shanghai, the PRC, pursuant to which the Co-Investor committed to acquire non-voting participating class A shares of the holding company of the co-investment vehicle of US$10,000,000 (approximately HK$78,000,000). During the period, the Co-Investor paid US$2,678,000, approximately HK$20,884,000 (30/6/2018: US$2,352,000, approximately HK$18,346,000) in accordance with the terms and conditions of the co-investment documents and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US$2,495,000, approximately HK$19,464,000 (31/12/2018: US$5,173,000, approximately HK$40,347,000).

On 2 November 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of an investment property at a consideration of HK$30,993,000. The investment property is a Grade A office asset located in one of the most sought after central business district of Hong Kong and is expected to generate steady and recurring stream of income for the Group. The completion date of the acquisition of the investment property was 31 January 2019 and the total costs capitalized were HK$33,773,000. As at 31 December 2018, the capital expenditure commitments contracted by the Group but not provided for was HK$26,344,000.

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for net of deposits paid, was approximately HK$19,464,000 (31/12/2018: HK$66,691,000).

## SIGNIFICANT INVESTMENT AND ACQUISITION

### SIGNIFICANT INVESTMENT

As at 30 June 2019, the Group had investments in listed equity and debt securities with fair value of HK$426,789,000 and HK$198,991,000 respectively. These investments had been classified as financial assets at fair value through profit or loss as the primary objective of these investments is held for trading. During the first half of 2019, the Group recognized realized trading gain of HK$15,816,000 and unrealized gain from mark-to-market fair value adjustments of HK$2,968,000 from its investment in equity securities.

The Directors consider that equity investment with a market value that account for more than 5% of the Group's net assets at the reporting date as significant investment. The details of the equity investment which accounted for more than 5% of the Group's net assets as at 30 June 2019 is set out below:

## MANAGEMENT DISCUSSION AND ANALYSIS

United Overseas Bank Limited ("UOB") (Stock Code: U11), listed on Singapore Exchange, provides a wide range of financial services from core business segments which include personal financial services, private banking, business banking, commercial and corporate banking, transaction banking, investment banking, corporate finance, capital market activities, treasury services, brokerage and clearing services.

The Group held 831,007 shares of UOB with investment cost of approximately HK$126,924,000. The fair value of these shares as at 30 June 2019 was approximately HK$125,405,000, which represented approximately 6.0% of the Group's net assets.

As disclosed in the results announcement of UOB for the first half of 2019, UOB recorded an unaudited net earnings of SGD2 billion, 8% higher than the first half of 2018. Basic earnings per share for the six months ended 30 June 2019 was SGD2.61 as compared to basic earnings per share of SGD2.39 for the six months ended 30 June 2018. We consider the future earnings growth prospect of UOB is positive.

Save as disclosed above, the Group also invested in other equity securities. The fair value of each of these shares represented less than 5% of the net assets of the Group as at 30 June 2019. The principal activities of these companies include mainly banking groups that provide money lending and financial services; securities trading and investment; property development and investment; shipping and transportation, provision of value-added services and online advertising services to users in the PRC.

### ACQUISITION OF VESSELS

The Group entered into respective agreements on 23 April 2019 in respect of the acquisition of two Supramaxes at a total consideration of US$12,000,000 (approximately HK$93,600,000). The first vessel was delivered to the Group in May 2019. However, as one of the clauses with regards to a timely delivery of the second vessel under the second agreement cannot be fulfilled by the second vendor, the acquisition of the second vessel according to the second agreement was terminated on 4 June 2019. The initial deposit of US$625,000 (approximately HK$4,875,000) lodged with the escrow agent has been refunded to the Group in accordance with the terms of the second agreement.

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 2019.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 65 (31/12/2018: 67) 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, financial market conditions including fluctuations in marketable securities value, 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

The freight market in the second quarter of 2019 continued to be weaker than expected, where demand was hit by the negative sentiment caused by US-China trade conflict and an expectation of slowdown in global growth.

The dry bulk shipping industry demand and supply picture continue to offer a more optimistic sign. Net new supply of the overall dry bulk fleet for 2019 and 2020 remains to be the lowest since the year 2000. The age profile of the global bulker fleet offers further visibility counting over 40 million tonnes as over 20 years of age. The incentive to order newbuildings has been and remain low given the expectation of low global economic growth, the uncertainty on how future regulations will evolve, asset base financing costs on the rise, financial institution adopting a cautious approach towards asset based lending.

Should the underlying long-term demand remain relatively intact, we believe the freight rate will normalize in the positive direction in coming months should US and China manages to eventually resolve their differences.

## MANAGEMENT DISCUSSION AND ANALYSIS

Changes in technology as well as environmental policies causing changes in global energy mix will have material global implications and as a consequence, will impact the Company’s business. The installation of scrubbers to meet the IMO 2020 sulphur cap emission regulation continued to be a widely debated topic in our industry. We have no plans on the installation of scrubbers given the long term technical and commercial viability of scrubbers on smaller size commercial vessels remains unproven. At this juncture, we continue to believe the use of low sulphur fuel (LSFO) is the most efficient way to protect our planet. Recent studies in the industry also increasingly suggest the premium of LSFO over the traditional marine bunker fuel is likely to be significantly less than expected, further increasing the potential payback period of a scrubber installation. We expect the availability of LSFO will become abundant at reasonable costs with time, given the likelihood of a ramp up in demand from 2020 onwards.

While we have full confidence in mankind’s capacity to respond to events and shape their futures for the better, we have to be mindful that increasingly frequent economic or political surprises can introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. We currently have no capital expenditure commitment in relation to newbuilding contracts, as well as no charter-in contracts at this juncture, and will continue to focus on taking sensible and decisive actions to maintain a strong financial position.

On behalf of the Board of Directors of the Company, I would like to express our heartfelt appreciation to all customers and stakeholders for their ongoing support.

By Order of the Board

**Ng Siu Fai**
*Chairman*

Hong Kong, 30 August 2019

## 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 2019, 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 2019.

## 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, risk management, internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019.

## 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 2019.

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

*For the six months ended 30 June 2019*

| | Note | **Six months ended 30 June 2019 (Unaudited)** *HK$'000* | Six months ended 30 June 2018 (Unaudited) *HK$'000* |
|---|---|---|---|
| **Revenue** | 2 | **208,913** | 312,736 |
| Other operating income | 3 | **47,429** | 24,223 |
| Interest income | | **12,297** | 6,076 |
| Shipping related expenses | | **(120,750)** | (149,846) |
| Staff costs | | **(46,889)** | (41,268) |
| Other operating expenses | | **(20,734)** | (28,554) |
| **Operating profit before depreciation and amortization** | 4 | **80,266** | 123,367 |
| Depreciation and amortization | | **(62,447)** | (73,455) |
| **Operating profit** | | **17,819** | 49,912 |
| Finance costs | | **(18,565)** | (12,645) |
| **Profit (Loss) before taxation** | | **(746)** | 37,267 |
| Taxation | 5 | **-** | - |
| **Net profit (loss) for the period** | | **(746)** | 37,267 |
| **Other comprehensive income (loss)** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Change in fair value of financial assets at fair value through OCI (non-recycling) | | **1,007** | - |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Change in fair value of financial assets at fair value through OCI (recycling) | | **(3,400)** | 346 |
| **Total comprehensive income (loss) for the period** | | **(3,139)** | 37,613 |

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

*For the six months ended 30 June 2019*

| | Note | **Six months ended 30 June 2019 (Unaudited)** | Six months ended 30 June 2018 (Unaudited) |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Net profit (loss) for the period attributable to:** | | | |
| Shareholders of the Company | | **(3,574)** | 18,907 |
| Non-controlling interests | | **2,828** | 18,360 |
| | | **(746)** | 37,267 |
| **Total comprehensive income (loss) for the period attributable to:** | | | |
| Shareholders of the Company | | **(6,413)** | 19,321 |
| Non-controlling interests | | **3,274** | 18,292 |
| | | **(3,139)** | 37,613 |
| **Earnings (Loss) per share** | *6* | | |
| Basic and diluted | | **HK$(0.007)** | HK$0.036 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2019*

| | Note | 30 June 2019 (Unaudited) *HK$'000* | 31 December 2018 (Audited) *HK$'000* |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,723,527** | 1,728,757 |
| Investment properties | *8* | **420,383** | 386,610 |
| Financial assets at fair value through OCI | *9* | **82,834** | 64,343 |
| Loan receivables | | **19,932** | - |
| Intangible assets | | **1,000** | 1,022 |
| | | **2,247,676** | 2,180,732 |
| **Current assets** | | | |
| Inventories | | **4,547** | 2,735 |
| Trade and other receivables | *10* | **127,128** | 114,463 |
| Financial assets at fair value through profit or loss | *11* | **625,780** | 323,606 |
| Pledged deposits | | **31,025** | 26,722 |
| Bank balances and cash | | **280,891** | 393,271 |
| | | **1,069,371** | 860,797 |
| Assets held for sale | | **-** | 52,749 |
| | | **1,069,371** | 913,546 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **155,289** | 158,185 |
| Secured bank loans | *13* | **546,475** | 275,529 |
| | | **701,764** | 433,714 |
| **Net current assets** | | **367,607** | 479,832 |
| **Total assets less current liabilities** | | **2,615,283** | 2,660,564 |
| **Non-current liabilities** | | | |
| Secured bank loans | *13* | **520,488** | 553,944 |
| **Net assets** | | **2,094,795** | 2,106,620 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2019*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| | (Unaudited) | (Audited) |
| | *HK$'000* | *HK$'000* |
| **EQUITY** | | |
| **Equity attributable to shareholders of the Company** | | |
| Issued capital | **381,639** | 381,639 |
| Reserves | **837,849** | 844,262 |
| | **1,219,488** | 1,225,901 |
| **Non-controlling interests** | **875,307** | 880,719 |
| **Total equity** | **2,094,795** | 2,106,620 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2019*

| | Attributable to shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Issued capital (Unaudited) *HK$'000* | Other asset revaluation reserve (Unaudited) *HK$'000* | Reserve for available-for-sale financial assets (Unaudited) *HK$'000* | Reserve for financial assets at fair value through OCI (Unaudited) *HK$'000* | Retained Profits (Unaudited) *HK$'000* | Subtotal (Unaudited) *HK$'000* | Non-controlling interests (Unaudited) *HK$'000* | Total equity (Unaudited) *HK$'000* |
| At 1 January 2018 | 381,639 | 1,739 | 17,253 | - | 776,967 | 1,177,598 | 860,260 | 2,037,858 |
| Reclassification upon the adoption of HKFRS 9 | - | - | (17,253) | 17,253 | - | - | - | - |
| At 1 January 2018 (adjusted) | 381,639 | 1,739 | - | 17,253 | 776,967 | 1,177,598 | 860,260 | 2,037,858 |
| **Comprehensive income** | | | | | | | | |
| Net profit for the period | - | - | - | - | 18,907 | 18,907 | 18,360 | 37,267 |
| **Other comprehensive income (loss)** | | | | | | | | |
| Change in fair value of financial assets at fair value through OCI | - | - | - | 414 | - | 414 | (68) | 346 |
| **Total comprehensive income for the period** | - | - | - | 414 | 18,907 | 19,321 | 18,292 | 37,613 |
| At 30 June 2018 | 381,639 | 1,739 | - | 17,667 | 795,874 | 1,196,919 | 878,552 | 2,075,471 |
| At 1 January 2019 | 381,639 | 1,739 | - | 17,333 | 825,190 | 1,225,901 | 880,719 | 2,106,620 |
| **Comprehensive income (loss)** | | | | | | | | |
| Net loss for the period | - | - | - | - | (3,574) | (3,574) | 2,828 | (746) |
| **Other comprehensive income (loss)** | | | | | | | | |
| Change in fair value of financial assets at fair value through OCI | - | - | - | (2,839) | - | (2,839) | 446 | (2,393) |
| **Total comprehensive loss for the period** | - | - | - | (2,839) | (3,574) | (6,413) | 3,274 | (3,139) |
| Final dividend paid to non-controlling interests by subsidiaries | - | - | - | - | - | - | (8,686) | (8,686) |
| **At 30 June 2019** | **381,639** | **1,739** | **-** | **14,494** | **821,616** | **1,219,488** | **875,307** | **2,094,795** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2019*

| | **Six months ended 30 June 2019 (Unaudited)** *HK$'000* | Six months ended 30 June 2018 (Unaudited) *HK$'000* |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Cash generated from operations before changes in working capital | **56,914** | 115,235 |
| Increase in working capital | **(303,382)** | (68,015) |
| Cash generated from (used in) operations | **(246,468)** | 47,220 |
| Interest paid | **(18,902)** | (13,109) |
| **Net cash from (used in) operating activities** | **(265,370)** | 34,111 |
| **INVESTING ACTIVITIES** | | |
| Interest received | **8,400** | 5,397 |
| Dividend income received | **5,769** | 1,960 |
| Purchase of property, plant and equipment | **(57,195)** | (16,000) |
| Purchase of investment properties | **(33,773)** | (122,605) |
| Payment of unlisted equity investments | **(20,884)** | (18,496) |
| Repayment from loan receivables | **2,847** | - |
| Proceeds from disposal of assets held for sale, net | **23,325** | - |
| **Net cash used in investing activities** | **(71,511)** | (149,744) |
| **FINANCING ACTIVITIES** | | |
| New secured bank loans | **402,268** | 221,200 |
| Repayment of secured bank loans | **(164,778)** | (488,009) |
| Decrease (Increase) in pledged deposits | **(4,303)** | 581 |
| Final dividend paid to non-controlling interests by subsidiaries | **(8,686)** | - |
| **Net cash from (used in) financing activities** | **224,501** | (266,228) |
| **Net decrease in cash and cash equivalents** | **(112,380)** | (381,861) |
| **Cash and cash equivalents at 1 January** | **393,271** | 506,441 |
| **Cash and cash equivalents at 30 June** | **280,891** | 124,580 |

# 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 2019 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 2018 that is included in these unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year 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 Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622).

- The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2018. 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 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 2018, except for the Group has adopted the newly issued and amended Hong Kong Financial Reporting Standards ("HKFRS"), which are effective for the annual period beginning on 1 January 2019.

**HKFRS 16 Leases**

HKFRS 16 replaces HKAS 17 "Leases" upon the effective date on 1 January 2019 and the new HKFRS 16 requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-to-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. In respect of lessor accounting, HKFRS 16 substantially carry forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. As ship owners and lessors, the Group continues to classify its time charter contracts as operating lease as it contains a lease component, and for hire income under time charter, hire income is recognized on a straight-line basis over the period of each time charter contract. The changes in accounting policies as described above have no impact on the Group's results and financial position in the first year of application as the Group has no underlying leased asset with a term of more than twelve months under lessee accounting model for current period and previous year. The Group has applied modified retrospective approach and therefore the comparative information for 2018 has not been restated.

Other than the adoption of HKFRS 16 as stated above, the adoption of other new and amended HKFRSs does not have material impact on the Group's financial performance and financial position.

## 2. Revenue

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

| | **Six months ended 30 June 2019 (Unaudited)** | Six months ended 30 June 2018 (Unaudited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Chartering hire income: | | |
| Hire income under time charters[1] | **208,913** | 312,736 |

Note:

1. Hire income under time charter is accounted for as operating lease and is recognized on a straight-line basis over the period of each time charter contract.

## 3. Other operating income

Other operating income for the first half of 2019 mainly included dividend income of HK$6,293,000 (30/6/2018: HK$2,159,000), net gain of HK$4,746,000 (30/6/2018: nil) on disposal of assets held for sale (disposed vessel), net gain of HK$19,239,000 (30/6/2018: HK$63,000) on financial assets at fair value through profit or loss, rental income of HK$2,540,000 (30/6/2018: HK$1,866,000) and settlement income of HK$4,789,000 (30/6/2018: HK$3,512,000) from a charterer in relation to repudiation claims.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

**4. Operating profit before depreciation and amortization**

This is stated after charging / (crediting):

| | **Six months ended 30 June 2019 (Unaudited)** *HK$'000* | Six months ended 30 June 2018 (Unaudited) *HK$'000* |
|---|---|---|
| Realized gain on financial assets at fair value through profit or loss | **(14,759)** | (11,423) |
| Unrealized loss (gain) on financial assets at fair value through profit or loss | **(4,480)** | 11,360 |
| Net gain on financial assets at fair value through profit or loss | **(19,239)** | (63) |
| Reversal of impairment loss on trade and other receivables | **(16)** | (40) |
| Net gain on disposal of assets held for sale | **(4,746)** | - |
| Dividend income | **(6,293)** | (2,159) |

**5. Taxation**

Hong Kong Profits Tax has not been provided as the Group has no assessable profits for the periods. 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.

**6. Earnings (Loss) per share**

Basic and diluted earnings (loss) per share were calculated on the net loss attributable to shareholders of the Company of HK$3,574,000 for the six months ended 30 June 2019 (30/6/2018: net profit of HK$18,907,000) and the weighted average number of 530,289,480 (30/6/2018: 530,289,480) ordinary shares in issue during the period.

Diluted earnings (loss) per share for the six months ended 30 June 2019 and 2018 were the same as basic earnings (loss) per share as there was no potentially dilutive ordinary shares in existence for the six months ended 30 June 2019 and 2018.

**7. Interim dividend**

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2019 (30/6/2018: nil).

**8. Investment properties**

| | 30 June 2019 (Unaudited) *HK$'000* | 31 December 2018 (Audited) *HK$'000* |
|---|---|---|
| At 1 January | **386,610** | 171,050 |
| Additions | **33,773** | 191,724 |
| Change in fair value | **-** | 23,836 |
| | **420,383** | 386,610 |

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 Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of an investment property at a consideration of HK$30,993,000 in November 2018. The investment property is a Grade A office asset located in one of the most sought after central business district of Hong Kong and is expected to generate steady and recurring stream of income for the Group. The completion date of the acquisition of the investment property was 31 January 2019 and the total costs capitalized were HK$33,773,000.

The investment properties of the Group were not revalued at 30 June 2019 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 2018. Consequently, no increase or decrease in fair value of investment properties has been recognized in the current period.

**9. Financial assets at fair value through OCI**

| | **30 June 2019 (Unaudited)** | 31 December 2018 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Unlisted equity investments | | |
| Co-investment in a property project | | |
| At 1 January | **35,504** | - |
| Additions | **20,884** | 37,802 |
| Change in fair value[1] | **1,007** | (2,298) |
| | **57,395** | 35,504 |
| Unlisted club debentures | | |
| At 1 January | **25,800** | 24,500 |
| Change in fair value[2] | **(3,400)** | 1,300 |
| | **22,400** | 25,800 |
| Unlisted club membership | | |
| At 1 January | **3,039** | 2,931 |
| Change in fair value[2] | **-** | 108 |
| | **3,039** | 3,039 |
| | **82,834** | 64,343 |

Notes:

1. Items that will not be reclassified to profit or loss.
2. Items that may be reclassified subsequently to profit or loss.

Pursuant to the co-investment documents, an approximately 55.69% indirectly owned subsidiary of the Company (the "Co-Investor") committed to acquire non-voting participating class A shares of the holding company of the co-investment vehicle of US$10,000,000 (approximately HK$78,000,000). During the first half of 2019, the Co-Investor paid US$2,678,000, approximately HK$20,884,000 (30/6/2018: US$2,352,000, approximately HK$18,346,000) in accordance with the terms and conditions of the co-investment documents and interest of US$19,000 (approximately HK$150,000) was capitalized in the first half of 2018.

There is no quoted market price in active market for unlisted equity investments. Transactions in such investments do not occur on a regular basis. The Group uses its net asset value to determine its fair value as the Group determined that this is the fair price at which shareholders subscribe and redeem the investments or determined its fair value with generally accepted pricing models. The fair value measurement of unlisted equity investments was categorized as Level 3 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.

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 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.

**10. Trade and other receivables**

| | 30 June 2019 (Unaudited) *HK$'000* | 31 December 2018 (Audited) *HK$'000* |
|---|---|---|
| Trade receivables | **8,334** | 11,000 |
| Prepayments, deposits and other receivables | **118,794** | 103,463 |
| | **127,128** | 114,463 |

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

| | 30 June 2019 (Unaudited) *HK$'000* | 31 December 2018 (Audited) *HK$'000* |
|---|---|---|
| Within 3 months | **1,764** | 2,495 |
| Over 3 months but within 6 months | **181** | 1,138 |
| Over 6 months but within 12 months | **63** | 854 |
| Over 12 months | **6,326** | 6,513 |
| | **8,334** | 11,000 |

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.

Other receivables include a receivable from an interest-bearing note issued by a third party amounting to HK$27,000,000 (31/12/2018: HK$27,000,000). This receivable has been reviewed by management as of the reporting date to assess impairment allowances which are based on the evaluation of current creditworthiness and the past collection statistics, and is not considered as impaired. The carrying amount of this receivable is considered to be a reasonable approximation of its fair value.

**11. Financial assets at fair value through profit or loss**

| | **30 June 2019 (Unaudited) *HK$'000*** | 31 December 2018 (Audited) *HK$'000* |
|---|---|---|
| *Held for trading* | | |
| Equity securities | | |
| Listed in Hong Kong | **276,047** | 173,232 |
| Listed outside Hong Kong | **150,742** | 112,035 |
| | **426,789** | 285,267 |
| Debt securities | | |
| Listed in Hong Kong | **102,180** | 22,682 |
| Listed outside Hong Kong | **96,811** | 11,286 |
| | **198,991** | 33,968 |
| *Designated as such upon initial recognition:* | | |
| Equity linked notes | **-** | 4,371 |
| | **625,780** | 323,606 |

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 and the fair value measurements of equity linked notes represented the quoted market prices on the underlying investments provided by financial institution and were categorized as Level 2 of the three-level fair value hierarchy as defined under HKFRS 13. There was no transfer among the three levels of the fair value hierarchy during the period / year.

**12. Trade and other payables**

| | **30 June 2019 (Unaudited) *HK$'000*** | 31 December 2018 (Audited) *HK$'000* |
|---|---|---|
| Trade payables | **2,531** | 2,438 |
| Accrued charges and other payables | **152,758** | 155,747 |
| | **155,289** | 158,185 |

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

| | **30 June 2019 (Unaudited) *HK$'000*** | 31 December 2018 (Audited) *HK$'000* |
|---|---|---|
| Within 3 months | **93** | - |
| Over 6 months but within 12 months | **-** | 140 |
| Over 12 months | **2,438** | 2,298 |
| | **2,531** | 2,438 |

**13. Secured bank loans**

| | 30 June 2019 (Unaudited) *HK$'000* | 31 December 2018 (Audited) *HK$'000* |
|---|---|---|
| Vessel mortgage loans | **525,212** | 567,138 |
| Other bank loans | **541,751** | 262,335 |
| Less: Amount repayable within one year | **(546,475)** | (275,529) |
| Amount repayable after one year | **520,488** | 553,944 |

During the six months ended 30 June 2019, the Group had drawn new revolving loans and term loan of HK$402,268,000 (30/6/2018: HK$221,200,000) for working capital purpose.

At the reporting date, vessel mortgage loans were denominated in United States Dollars and other bank loans were denominated in Hong Kong Dollars. All secured bank loans were committed on floating rate basis.

**14. Capital expenditures and commitments**

During the six months ended 30 June 2019, capital expenditure on additions of owned vessels was HK$55,869,000 (30/6/2018: HK$14,793,000), on other property, plant and equipment was HK$1,326,000 (30/6/2018: HK$1,207,000) and on investment properties was HK$33,773,000 (30/6/2018: HK$122,605,000).

On 20 April 2018, an approximately 55.69% indirectly owned subsidiary of the Company (the "Co-Investor") entered into the co-investment documents to co-invest in a property project in Tower 3 of Shanghai Financial Street Center, Jing'an Central Business District, Shanghai, the PRC, pursuant to which the Co-Investor committed to acquire non-voting participating class A shares of the holding company of the co-investment vehicle of US$10,000,000 (approximately HK$78,000,000). During the period, the Co-Investor paid US$2,678,000, approximately HK$20,884,000 (30/6/2018: US$2,352,000, approximately HK$18,346,000) in accordance with the terms and conditions of the co-investment documents and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US$2,495,000, approximately HK$19,464,000 (31/12/2018: US$5,173,000, approximately HK$40,347,000).

On 2 November 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of an investment property at a consideration of HK$30,993,000. The investment property is a Grade A office asset located in one of the most sought after central business district of Hong Kong and is expected to generate steady and recurring stream of income for the Group. The completion date of the acquisition of the investment property was 31 January 2019 and the total costs capitalized were HK$33,773,000. As at 31 December 2018, the capital expenditure commitments contracted by the Group but not provided for was HK$26,344,000.

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for net of deposits paid, was approximately HK$19,464,000 (31/12/2018: HK$66,691,000).

**15. 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 2019 (Unaudited)** | Six months ended 30 June 2018 (Unaudited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and other benefits | **33,178** | 28,352 |
| Contributions to retirement benefits schemes | **1,772** | 1,448 |
| | **34,950** | 29,800 |

## PUBLICATION OF FINANCIAL INFORMATION

The interim report of the Company for the six months ended 30 June 2019 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 and the Company at 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.*