

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



JINHUI HOLDINGS COMPANY LIMITED

金輝集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code : 137

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

FOR THE FIRST HALF OF 2021

- Revenue for the period: HK\$375 million
- Net profit for the period: HK\$716 million included reversal of impairment loss on owned vessels of HK\$511 million
- Net profit attributable to shareholders of the Company: HK\$402 million
- Basic earnings per share: HK\$0.758
- Gearing ratio as at 30 June 2021: 1%

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 2021.

INTERIM RESULTS

The Group’s revenue for the first half of 2021 was HK\$375,050,000 whereas HK\$138,250,000 was reported in the same period of 2020. The consolidated net profit for the first half of 2021 was HK\$715,806,000 as compared to a net loss of HK\$192,706,000 reported in the first half of 2020. The turnaround from loss to profit is primarily attributable to the combined effect of: (1) the strong rebound of market freight rates in dry bulk shipping sector in 2021 that leads to a significant increase in the Group’s chartering freight and hire revenue to HK\$375,050,000; and (2) the recognition of reversal of impairment loss on owned vessels of HK\$511,068,000 as at 30 June 2021. The net profit attributable to shareholders of the Company for the six months ended 30 June 2021 was HK\$402,140,000 as compared to a net loss of HK\$110,946,000 was reported in the first half of 2020. Basic earnings per share for the six months ended 30 June 2021 was HK\$0.758 as compared to basic loss per share of HK\$0.209 for the corresponding period in 2020.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2021 (30/6/2020: 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.

Despite the COVID-19 pandemic has had a devastating economic impact to global economies, many countries launched effective track and trace systems, deployed coronavirus vaccination program, and rolled out of substantial economic stimulus measures. There are notable global economic rebounds in early 2021 and major financial markets soared, reflecting better corporate earnings and market conditions. Dry bulk shipping market showed strong sign of rebound amid global economic recovery. The market is supported by strong cargo flow that outpaced vessel supply. The surge of global seaborne trade of steel and iron ores, grain, soybean and other agricultural commodities, have driven market freight rates in an upward trend in 2021. Dry bulk shipping market further continued to trend upward due to strong vessels demands. Baltic Dry Index (“BDI”) opened at 1,366 points at the beginning of January and rose to the peak of the period at 3,418 points and closed at 3,383 points by the end of June 2021. The average of BDI for the first half of 2021 was 2,257 points, which compares to 685 points in the same period in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

| Average daily time charter equivalent rates ("TCE") | 2021 | 2020 | |
|-----------------------------------------------------|----------|----------|-------|
| | 1st half | 1st half | 2020 |
| | US\$ | US\$ | US\$ |
| Post-Panamax fleet | 12,250 | 7,382 | 9,929 |
| Supramax fleet | 15,182 | 5,096 | 6,986 |
| In average | 14,852 | 5,293 | 7,269 |

Revenue from chartering freight and hire for the first half of 2021 was HK\$375,050,000 representing an increase of 171% as compared to HK\$138,250,000 for the first half of 2020. The Group benefited from the strong rebound of market freight rates and the average daily TCE earned by the Group's owned vessels increased 181% to US\$14,852 (approximately HK\$116,000) for the first half of 2021 as compared to US\$5,293 (approximately HK\$41,000) for the corresponding period in 2020.

| Key Performance Indicators for Shipping Business | 2021 | 2020 | |
|--------------------------------------------------|----------|----------|----------|
| | 1st half | 1st half | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Average daily TCE | 116 | 41 | 57 |
| Daily vessel running cost | 32 | 30 | 30 |
| Daily vessel depreciation | 17 | 17 | 17 |
| Daily vessel finance cost | 1 | 2 | 2 |
| | 50 | 49 | 49 |
| Average utilization rate | 96% | 97% | 98% |

Daily vessel running cost increased 9% from US\$3,823 (approximately HK\$30,000) for the first half of 2020 to US\$4,152 (approximately HK\$32,000) for the first half of 2021 as crew wages rose due to inflation, coupled with certain initial running costs and expenses were incurred for two newly-delivered vessels in the period. Daily vessel finance cost decreased 46% from US\$300 (approximately HK\$2,000) for the first half of 2020 to US\$163 (approximately HK\$1,000) for the first half of 2021. The fleet utilization rate of the Group's owned vessels slightly decreased from 97% for the first half of 2020 to 96% for the first half of 2021. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the Group had twenty owned vessels as follows:

| | Number of owned vessels |
|--------------------|-------------------------|
| Post-Panamax fleet | 2 |
| Supramax fleet | 18 |
| Total fleet | 20 |

On 2 March 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 53,806 metric tons at a purchase price of US\$7,275,000 (approximately HK\$56,745,000), which was delivered to the Group in March 2021.

On 27 April 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 52,525 metric tons at a purchase price of US\$9,300,000 (approximately HK\$72,540,000), which was delivered to the Group in June 2021.

On 20 May 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 52,686 metric tons at a purchase price of US\$10,813,000 (approximately HK\$84,341,000), which will be delivered to the Group in August 2021.

Subsequent to the reporting date, the Group entered into an agreement on 9 July 2021 in respect of the acquisition of a Supramax of deadweight 55,866 metric tons at a purchase price of US\$15,180,000 (approximately HK\$118,404,000), which will be delivered to the Group on or before 20 October 2021.

We will continuously monitor the market as well as our operations going forward and look out for opportunities to maintain a reasonably modern and competitive fleet, not ruling out any future disposal or acquisition of vessels and will make such decisions on an ad hoc basis to maintain a high financial flexibility and operational competitiveness.

FINANCIAL REVIEW

Revenue and operating profit. Revenue from chartering freight and hire for the first half of 2021 increased 171% to HK\$375,050,000, comparing to HK\$138,250,000 for the first half of 2020. The increase was mainly due to the strong rebound of market freight rates and the average daily TCE earned by the Group's owned vessels increased 181% to US\$14,852 (approximately HK\$116,000) for the first half of 2021 as compared to US\$5,293 (approximately HK\$41,000) for the corresponding period in 2020.

The net profit attributable to shareholders of the Company for the first half of 2021 was HK\$402,140,000, whereas net loss of HK\$110,946,000 was reported for the corresponding period in 2020. Basic earnings per share for the period was HK\$0.758 as compared to basic loss per share of HK\$0.209 for the first half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Other operating income. Other operating income increased from HK\$21,514,000 for the first half of 2020 to HK\$75,128,000 for the first half of 2021 due to the Group recognized a fair value gain on investment properties of HK\$13,260,000, net gain on bunker of HK\$14,764,000 arising from shipping operations in current period. Other operating income for the first half of 2021 also included net gain of HK\$20,747,000 on financial assets at fair value through profit or loss which comprised of a realized gain of HK\$15,170,000 upon disposal of certain equity and debt securities during the first half of 2021, and an unrealized fair value gain of HK\$5,577,000 on financial assets at fair value through profit or loss for the period. We remain cautious with the increased volatility due to the geopolitical uncertainty, as well as the fluid outlook of interest rates.

Reversal of impairment loss on owned vessels. For the first half of 2021, dry bulk shipping market had rebounded remarkably reflected in the upsurge of market freight rates and significant increase in the market value of dry bulk vessels. The management considered that reversal of impairment indication of the Group's fleet existed as at 30 June 2021. With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the reversal of impairment review, the Group's owned vessels' recoverable amounts which are determined based on the value in use are significantly higher than their respective carrying amounts as at 30 June 2021. Accordingly, a reversal of impairment loss of HK\$511,068,000 on owned vessels classified in property, plant and equipment was recognized as at 30 June 2021 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 owned vessels.

Shipping related expenses. Shipping related expenses mainly comprised of crew expenses, insurance, consumable stores, spare parts, repairs and maintenance and other vessels' expenses. Shipping related expenses decreased from HK\$167,516,000 for the first half of 2020 to HK\$129,044,000 for the first half of 2021. In the first half of 2020, there was bunker related expenses of HK\$53 million as a result of both price loss on bunker fuel on-board of the Group's owned vessels and an increase in bunker consumption due to positioning of owned vessels in between time charter contracts of vessels, whereas, in current period, there was bunker price gain on bunker fuel which was included in other operating income and the Group's bunker related expenses was only HK\$3,537,000. The decrease in bunker related expenses was partially offset by the increase in crew wages due to inflation. Daily vessel running cost slightly increased from US\$3,823 (approximately HK\$30,000) for the first half of 2020 to US\$4,152 (approximately HK\$32,000) for the first half of 2021 as crew wages rose due to inflation, coupled with certain initial running costs and expenses were incurred for two newly-delivered vessels in the first half of 2021. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

MANAGEMENT DISCUSSION AND ANALYSIS

Other operating expenses. Other operating expenses for the first half of 2021 decreased to HK\$18,084,000, comparing to HK\$80,398,000 for the first half of 2020 due to the Group recorded net loss of HK\$60,209,000 on financial assets at fair value through profit or loss for the first half of 2020. On the contrary, there was a net gain of HK\$20,747,000 on financial assets at fair value through profit or loss for the first half of 2021, which was included in other operating income. Other operating expenses for the period also comprised of directors' fee of approximately HK\$3.3 million, professional fee of approximately HK\$2.4 million, auditor's remuneration related to audit services of approximately HK\$0.8 million and remaining are various office administrative expenses.

Finance costs. Finance costs dropped from HK\$17,530,000 for the first half of 2020 to HK\$8,744,000 for the first half of 2021 mainly due to the decrease in interest rate and the constant repayment of vessel mortgage loans as compared with that of the corresponding period in 2020.

Financial assets at fair value through profit or loss. As at 30 June 2021, the Group's portfolio of investment in financial assets at fair value through profit or loss was HK\$468,275,000 (31/12/2020: HK\$321,088,000), in which HK\$422,372,000 (31/12/2020: HK\$274,354,000) was investment in listed equity securities, HK\$43,785,000 (31/12/2020: HK\$44,780,000) was investment in listed and unlisted debt securities and HK\$2,118,000 (31/12/2020: HK\$1,954,000) was investment in investment funds.

During the first half of 2021, the Group's net gain on financial assets at fair value through profit or loss was HK\$20,747,000 (30/6/2020: net loss of HK\$60,209,000 on financial assets at fair value through profit or loss) and the aggregate interest income and dividend income from financial assets was HK\$22,451,000 (30/6/2020: HK\$26,088,000). The net gain of HK\$20,747,000 on financial assets at fair value through profit or loss comprised of a realized gain of HK\$15,170,000 upon disposal of certain equity and debt securities during the period, and an unrealized fair value gain of HK\$5,577,000 on financial assets at fair value through profit or loss for the period as Asian financial markets rebounded moderately in late 2020 and 2021.

Loan receivables. As at 30 June 2021, the Group's loan receivables was HK\$111,068,000 (31/12/2020: HK\$260,192,000). The Group's loan receivables, which arise from asset-based financing, are denominated in United States Dollars and are secured by collaterals provided by the borrowers, bear interest and are repayable with fixed terms agreed with the borrowers. At the reporting date, these receivables have been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness and the collection statistics, and are not considered as impaired. During the first half of 2021, certain borrowers chose to early repay respective loans and such repayments led to a decrease in loan receivables as at 30 June 2021. The carrying amount of these loan receivables are considered to be a reasonable approximation of their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other payables. As at 30 June 2021, the Group's trade and other payables was HK\$165,687,000 (31/12/2020: HK\$143,852,000), including trade payables of HK\$2,068,000 (31/12/2020: HK\$1,810,000), accrued charges of HK\$10,559,000 (31/12/2020: HK\$7,778,000) and other payables of HK\$153,060,000 (31/12/2020: HK\$134,264,000). Other payables mainly included payables related to vessel running cost and ship operating expenses of HK\$121,049,000 (31/12/2020: HK\$123,908,000) for owned vessels, hire receipt in advance of HK\$24,004,000 (31/12/2020: HK\$5,293,000) from charterers, loan interest payables of HK\$1,141,000 (31/12/2020: HK\$1,350,000) and accrued employee benefits payables of HK\$1,592,000 (31/12/2020: HK\$1,851,000). The significant increase in hire receipt in advance was largely attributable to the increase in amount of prepaid hire from charterers resulting from the upsurge of market hire rates.

Liquidity, financial resources and capital structure. As at 30 June 2021, the Group maintained positive working capital position of HK\$308,085,000 (31/12/2020: HK\$153,662,000) and the total of the Group's equity and debt securities, bank balances and cash increased to HK\$880,623,000 (31/12/2020: HK\$603,541,000). During the first half of 2021, cash generated from operations before changes in working capital was HK\$235,278,000 (30/6/2020: cash used in operations before changes in working capital was HK\$140,800,000) and the net cash generated from operating activities after working capital changes was HK\$261,446,000 (30/6/2020: HK\$70,843,000). The changes in working capital are mainly attributable to the decrease in loan receivables due to certain borrowers chose to early repay respective loans, partially offset by the increase in equity and debt securities.

The Group's total secured bank loans decreased from HK\$986,174,000 as at 31 December 2020 to HK\$919,814,000 as at 30 June 2021, of which 61%, 7% and 32% are repayable respectively within one year, one to two years and two to five years. During the period, the Group had drawn new revolving loans and term loan of HK\$97,939,000 (30/6/2020: HK\$149,079,000) and repaid HK\$164,299,000 (30/6/2020: HK\$246,311,000). The bank borrowings represented vessel mortgage loans that were denominated in United States Dollars, revolving loans, term loans and property mortgage loans that were denominated in Hong Kong Dollars and United States 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, dropped to 1% (31/12/2020: 19%) as at 30 June 2021. 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 2021, the Group is able to service its debt obligations, including principal and interest payments.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of assets. As at 30 June 2021, the Group's property, plant and equipment with an aggregate net book value of HK\$1,945,423,000 (31/12/2020: HK\$1,495,051,000), investment properties with an aggregate carrying amount of HK\$374,160,000 (31/12/2020: HK\$361,860,000), assets held for sale with a carrying amount of HK\$nil (31/12/2020: HK\$41,964,000), financial assets at fair value through profit or loss of HK\$257,978,000 (31/12/2020: HK\$202,336,000) and deposits of HK\$37,787,000 (31/12/2020: HK\$46,339,000) placed with banks were pledged together with the assignment of nineteen (31/12/2020: twenty) subsidiaries' income and assignment of two (31/12/2020: two) subsidiaries' loan receivables of HK\$79,868,000 (31/12/2020: HK\$228,992,000) to secure credit facilities utilized by the Group. In addition, shares of ten (31/12/2020: ten) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

Capital expenditures and commitments. During the six months ended 30 June 2021, capital expenditure on additions of motor vessels and capitalized drydocking costs was HK\$129,337,000 (30/6/2020: HK\$27,454,000) and on other property, plant and equipment was HK\$308,000 (30/6/2020: HK\$18,000).

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 A of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC (the "Tower A" or previously named as "T3 Property"), pursuant to which the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss Limited ("Dual Bliss") of US\$10,000,000 (approximately HK\$78,000,000). Dual Bliss is one of the investors of the co-investment in Tower A. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$372,000, approximately HK\$2,905,000 (31/12/2020: US\$372,000, approximately HK\$2,905,000).

On 20 May 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 52,686 metric tons at a purchase price of US\$10,813,000, approximately HK\$84,341,000. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$8,650,000, approximately HK\$67,473,000 (31/12/2020: nil).

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for was HK\$70,378,000 (31/12/2020: HK\$2,905,000). Save as disclosed above, there was no other significant capital expenditure commitments contracted by the Group but not provided for as at the reporting date.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) have now been extended to also require companies to disclose the details of each significant securities investment that represents 5% or more of their total assets.

As at 30 June 2021, the Group owns twenty dry bulk vessels which include two Post-Panamaxes and eighteen grabs fitted Supramaxes. Given the remarkable rebound in dry bulk shipping market, the management has constantly reviewed the Group’s fleet and considered acquiring additional vessels could generate steady stream of income for the Group.

On 2 March 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 53,806 metric tons at a purchase price of US\$7,275,000 (approximately HK\$56,745,000), which was delivered to the Group in March 2021. On 27 April 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 52,525 metric tons at a purchase price of US\$9,300,000 (approximately HK\$72,540,000), which was delivered to the Group in June 2021.

On 20 May 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 52,686 metric tons at a purchase price of US\$10,813,000 (approximately HK\$84,341,000) which will be delivered to the Group in August 2021. Subsequent to the reporting date, the Group entered into an agreement on 9 July 2021 in respect of the acquisition of a Supramax of deadweight 55,866 metric tons at a purchase price of US\$15,180,000 (approximately HK\$118,404,000), which will be delivered to the Group on or before 20 October 2021. Total carrying capacity of the Group’s fleet will be increased to 1,300,439 metric tons after the completion of the acquisition of the above four vessels.

As at 30 June 2021, the Group had investments in equity and debt securities with fair value of HK\$422,372,000 and HK\$43,785,000 respectively. 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. As at 30 June 2021, the fair value of each of these equity securities and debt securities represented less than 5% of the total assets of the Group.

As at 30 June 2021, the Group’s investment properties were stated at fair value of HK\$419 million 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. As at 30 June 2021, the fair value of each of these investment properties represented less than 5% of the total assets of the Group.

As at 30 June 2021, the Group did not hold any significant investment or investment properties that accounted for more than 5% of the Group’s total assets as at 30 June 2021, nor did the Group carry out any material acquisition and disposal during the first half of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, the Group entered into an agreement on 9 July 2021 in respect of the acquisition of a Supramax of deadweight 55,866 metric tons at a purchase price of US\$15,180,000 (approximately HK\$118,404,000), which will be delivered to the Group on or before 20 October 2021.

Save as disclosed above, there was no other significant events occurred after the reporting date.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had 68 (31/12/2020: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

So far, 2021 has been encouraging for our market, with robust freight rates driven by a general increase in demand for commodities worldwide.

While the outlook is positive and we see economic activity to further stabilize in 2021, we believe the road to a full reversion to normality will be fluid. As expected, COVID-19 variants do emerge sporadically, so measures to combat against the spread of virus can be introduced globally with little notice. As a result, logistics of the transportation of goods and commodities could be affected, causing disruptions to our operations.

Our two Post-Panamax vessels, after months of waiting to discharge of coal cargo at Chinese ports, have recently discharged their cargoes. Upon completion of docking and bottom cleaning, both vessels will soon be deployed back into the market at prevailing freight rates, which will mean further pick up in revenue and earnings.

With the expected global dry bulk fleet growth at historical lows, and with no consensus in the shipping with regards to the next generation engine design to reduce carbon emission, new vessel orders are expected to be few. This potentially highly favorable demand and supply dynamics is expected to continue in the next few years, where our fleet is well positioned to benefit.

We remain alert to the increasingly frequent economic, geo-political, or other unforeseen surprises that can trigger 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, 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 first express our heartfelt appreciation to the 400 seafarers who have continued to remain professional under an extremely challenging environment, as well as all customers and stakeholders for their ongoing support.

By Order of the Board

Ng Siu Fai

Chairman

Hong Kong, 18 August 2021

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 2021, 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 2021.

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 2021.

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 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

| | Note | Six months ended 30 June 2021 (Unaudited) HK\$'000 | Six months ended 30 June 2020 (Unaudited) HK\$'000 |
|---------------------------------------------------------------------------------------|------|----------------------------------------------------------------|----------------------------------------------------------------|
| Revenue | 2 | 375,050 | 138,250 |
| Other operating income | 3 | 75,128 | 21,514 |
| Interest income | 4 | 18,580 | 20,465 |
| Reversal of impairment loss on owned vessels | 5 | 511,068 | - |
| Shipping related expenses | | (129,044) | (167,516) |
| Staff costs | | (47,603) | (47,027) |
| Other operating expenses | 6 | (18,084) | (80,398) |
| Operating profit (loss) before depreciation and amortization | 7 | 785,095 | (114,712) |
| Depreciation and amortization | | (58,776) | (60,464) |
| Operating profit (loss) | | 726,319 | (175,176) |
| Finance costs | | (8,744) | (17,530) |
| Profit (Loss) before taxation | | 717,575 | (192,706) |
| Taxation | 8 | (1,769) | - |
| Net profit (loss) for the period | | 715,806 | (192,706) |
| 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) | | 5,973 | (2,279) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Change in fair value of financial assets at fair value through OCI (recycling) | | 300 | - |
| Total comprehensive income (loss) for the period | | 722,079 | (194,985) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

| | <i>Note</i> | Six months ended 30 June 2021 (Unaudited) HK\$'000 | Six months ended 30 June 2020 (Unaudited) HK\$'000 |
|------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------|----------------------------------------------------------------|
| Net profit (loss) for the period attributable to: | | | |
| Shareholders of the Company | | 402,140 | (110,946) |
| Non-controlling interests | | 313,666 | (81,760) |
| | | 715,806 | (192,706) |
| Total comprehensive income (loss) for the period attributable to: | | | |
| Shareholders of the Company | | 405,634 | (112,215) |
| Non-controlling interests | | 316,445 | (82,770) |
| | | 722,079 | (194,985) |
| Earnings (Loss) per share | 9 | | |
| Basic and diluted | | HK\$0.758 | HK\$(0.209) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | Note | 30 June 2021 (Unaudited) HK\$'000 | 31 December 2020 (Audited) HK\$'000 |
|-------------------------------------------------------|------|-----------------------------------------|-------------------------------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 2,111,572 | 1,534,286 |
| Investment properties | 11 | 418,860 | 405,600 |
| Financial assets at fair value through OCI | 12 | 110,565 | 104,292 |
| Loan receivables | 13 | 93,575 | 219,418 |
| Deposit paid for the acquisition of owned vessel | | 16,868 | - |
| Intangible assets | | 911 | 933 |
| | | 2,752,351 | 2,264,529 |
| Current assets | | | |
| Inventories | | 6,831 | 6,082 |
| Loan receivables | 13 | 17,493 | 40,774 |
| Trade and other receivables | 14 | 91,646 | 104,343 |
| Financial assets at fair value through profit or loss | 15 | 468,275 | 321,088 |
| Pledged deposits | | 37,787 | 46,339 |
| Bank balances and cash | | 414,466 | 284,407 |
| Assets held for sale | | - | 41,964 |
| | | 1,036,498 | 844,997 |
| Current liabilities | | | |
| Trade and other payables | 16 | 165,687 | 143,852 |
| Taxation payable | | 3,585 | 1,816 |
| Secured bank loans | 17 | 559,141 | 545,667 |
| | | 728,413 | 691,335 |
| Net current assets | | 308,085 | 153,662 |
| Total assets less current liabilities | | 3,060,436 | 2,418,191 |
| Non-current liabilities | | | |
| Secured bank loans | 17 | 360,673 | 440,507 |
| Net assets | | 2,699,763 | 1,977,684 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | 30 June 2021 (Unaudited) HK\$'000 | 31 December 2020 (Audited) HK\$'000 |
|-----------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| EQUITY | | |
| Equity attributable to shareholders of the Company | | |
| Issued capital | 381,639 | 381,639 |
| Reserves | 1,161,720 | 756,086 |
| | 1,543,359 | 1,137,725 |
| Non-controlling interests | 1,156,404 | 839,959 |
| Total equity | 2,699,763 | 1,977,684 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

| Attributable to shareholders of the Company | | | | | | | |
|--------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------|-------------------------------------|-------------------------------------------------------------|--------------------------------------------|
| | Issued capital (Unaudited) HK\$'000 | Other asset revaluation reserve (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 2020 | 381,639 | 3,806 | 8,455 | 821,740 | 1,215,640 | 886,764 | 2,102,404 |
| Comprehensive loss | | | | | | | |
| Net loss for the period | - | - | - | (110,946) | (110,946) | (81,760) | (192,706) |
| Other comprehensive loss | | | | | | | |
| Change in fair value of financial assets at fair value through OCI | - | - | (1,269) | - | (1,269) | (1,010) | (2,279) |
| Total comprehensive loss for the period | - | - | (1,269) | (110,946) | (112,215) | (82,770) | (194,985) |
| At 30 June 2020 | 381,639 | 3,806 | 7,186 | 710,794 | 1,103,425 | 803,994 | 1,907,419 |
| At 1 January 2021 | 381,639 | 3,806 | 16,380 | 735,900 | 1,137,725 | 839,959 | 1,977,684 |
| Comprehensive income | | | | | | | |
| Net profit for the period | - | - | - | 402,140 | 402,140 | 313,666 | 715,806 |
| Other comprehensive income | | | | | | | |
| Change in fair value of financial assets at fair value through OCI | - | - | 3,494 | - | 3,494 | 2,779 | 6,273 |
| Total comprehensive income for the period | - | - | 3,494 | 402,140 | 405,634 | 316,445 | 722,079 |
| At 30 June 2021 | 381,639 | 3,806 | 19,874 | 1,138,040 | 1,543,359 | 1,156,404 | 2,699,763 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

| | Six months ended 30 June 2021 (Unaudited) HK\$'000 | Six months ended 30 June 2020 (Unaudited) HK\$'000 |
|----------------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| OPERATING ACTIVITIES | | |
| Cash generated from (used in) operations before changes in working capital | 235,278 | (140,800) |
| Decrease in working capital | 35,121 | 229,882 |
| Cash generated from operations | 270,399 | 89,082 |
| Interest paid | (8,953) | (18,239) |
| Net cash from operating activities | 261,446 | 70,843 |
| INVESTING ACTIVITIES | | |
| Interest received | 20,276 | 23,435 |
| Dividend income received | 3,871 | 5,247 |
| Purchase of property, plant and equipment | (129,645) | (27,472) |
| Proceeds from disposal of property, plant and equipment, net | 6,823 | - |
| Payment of unlisted equity investments | - | (11,071) |
| Deposit paid for the acquisition of owned vessel | (16,868) | - |
| Proceeds from disposal of assets held for sale, net | 41,964 | - |
| Net cash used in investing activities | (73,579) | (9,861) |
| FINANCING ACTIVITIES | | |
| New secured bank loans | 97,939 | 149,079 |
| Repayment of secured bank loans | (164,299) | (246,311) |
| Decrease in pledged deposits | 8,552 | 25,432 |
| Net cash used in financing activities | (57,808) | (71,800) |
| Net increase (decrease) in cash and cash equivalents | 130,059 | (10,818) |
| Cash and cash equivalents at 1 January | 284,407 | 297,703 |
| Cash and cash equivalents at 30 June | 414,466 | 286,885 |

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 2021 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 2020 that is included in these unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 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 2020 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 2020. 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 2020, except for the Group has adopted the amended Hong Kong Financial Reporting Standards (“HKFRS”), which are effective for the annual period beginning on 1 January 2021.

The adoption of the amended HKFRSs does not have material impact on the Group’s financial performance and financial position for the current and prior periods have been prepared and presented.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

2. Revenue

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

| | Six months ended 30 June 2021 (Unaudited) HK\$'000 | Six months ended 30 June 2020 (Unaudited) HK\$'000 |
|---------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| Chartering freight and hire income: | | |
| Hire income under time charters ¹ | 375,050 | 121,962 |
| Freight income under voyage charters ² | - | 16,288 |
| | 375,050 | 138,250 |

Notes:

- 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.
- Freight income under voyage charter is accrued over the period from the date of loading of charterer's cargo to the date of discharging the cargo and is recognized on percentage of completion basis measured by time proportion of each voyage charter contract.

3. Other operating income

| | Six months ended 30 June 2021 (Unaudited) HK\$'000 | Six months ended 30 June 2020 (Unaudited) HK\$'000 |
|--------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| Net gain on bunker arising from shipping operations | 14,764 | - |
| Other shipping operating income | 13,386 | 11,302 |
| Gross rental income from operating leases on investment properties | 3,379 | 3,890 |
| Net gain on financial assets at fair value through profit or loss | 20,747 | - |
| Dividend income | 3,871 | 5,623 |
| Change in fair value of investment properties | 13,260 | - |
| Net gain on disposal of property, plant and equipment | 2,164 | - |
| Reversal of impairment loss on trade and other receivables, net | 888 | - |
| Sundry income | 2,669 | 699 |
| | 75,128 | 21,514 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS

4. Interest income

| | Six months ended 30 June 2021 (Unaudited) HK\$'000 | Six months ended 30 June 2020 (Unaudited) HK\$'000 |
|-------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| Interest income in respect of: | | |
| Financial assets at fair value through profit or loss | 7,749 | 4,638 |
| Deposits with banks and other financial institutions | 93 | 1,103 |
| Loan receivables | 10,738 | 14,724 |
| | 18,580 | 20,465 |

5. Reversal of impairment loss on owned vessels

For the first half of 2021, dry bulk shipping market had rebounded remarkably reflected in the upsurge of market freight rates and significant increase in the market value of dry bulk vessels. The management considered that reversal of impairment indication of the Group's fleet existed as at 30 June 2021. With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the reversal of impairment review, the Group's owned vessels' recoverable amounts which are determined based on the value in use are significantly higher than their respective carrying amounts as at 30 June 2021. The value in use of owned vessels is estimated based on estimated future cash flows projections from the continuous use of such vessels. Key assumptions applied in value in use calculation mainly included discount rate and hire rates earned by each vessel as the value in use is most sensitive to the changes in these two factors. The net cash flow also reflected the estimated drydocking and special surveys costs and vessels operating expenses. Key assumptions applied to the first five-year period in the estimated future cash flows projections from the continuous use of such vessels and cash flows beyond the five-year period are extrapolated using the zero growth rate.

The hire rates applied in the reversal of impairment test on owned vessels were based on management's best estimation, taking into consideration of historical performances, market research data and market expectation. The hire rates would have a 2% growth for the first five-year period and cash flows beyond the five-year period are extrapolated using the zero growth rate.

The discount rate applied to the value in use calculation on owned vessels was 8.5%, which was a pre-tax rate that reflected current market assessments of time value of money and the risks specific to the assets.

Accordingly, a reversal of impairment loss of HK\$511,068,000 on owned vessels classified in property, plant and equipment was recognized as at 30 June 2021 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 owned vessels.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

6. Other operating expenses

Other operating expenses for the first half of 2021 mainly comprised of directors' fee of approximately HK\$3.3 million, professional fee of approximately HK\$2.4 million, auditor's remuneration related to audit services of approximately HK\$0.8 million and remaining are various office administrative expenses.

Other operating expenses for the first half of 2020 mainly comprised of net loss on financial assets at fair value through profit or loss of approximately HK\$60.2 million, professional fee of approximately HK\$3.9 million, directors' fee of approximately HK\$3.3 million, auditor's remuneration related to audit services of approximately HK\$0.8 million and remaining are various office administrative expenses.

7. Operating profit (loss) before depreciation and amortization

This is stated after charging / (crediting):

| | Six months ended 30 June 2021 (Unaudited) HK\$'000 | Six months ended 30 June 2020 (Unaudited) HK\$'000 |
|------------------------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| Realized gain on financial assets at fair value through profit or loss | (15,170) | (3,018) |
| Unrealized loss (gain) on financial assets at fair value through profit or loss | (5,577) | 63,227 |
| Net loss (gain) on financial assets at fair value through profit or loss | (20,747) | 60,209 |
| Change in fair value of investment properties | (13,260) | - |
| Reversal of impairment loss on owned vessels | (511,068) | - |
| Reversal of impairment loss on trade and other receivables, net | (888) | - |
| Dividend income | (3,871) | (5,623) |
| Net gain on disposal of property, plant and equipment | (2,164) | - |

NOTES TO THE INTERIM FINANCIAL STATEMENTS

8. Taxation

Taxation has been provided on the estimated assessable profits arising in Hong Kong from an approximately 55.69% indirectly owned subsidiary of the Company which is a qualifying corporation in accordance with the two-tiered profits tax rates regime in Hong Kong. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of the qualifying corporation are taxed at 8.25%, and the assessable profits above HK\$2,000,000 are taxed at 16.5%. Apart from the estimated assessable profits arising in Hong Kong from that subsidiary, 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 and the Group is not subject to taxation in any other jurisdictions in which the Group operates. Taxation had not been provided for the first half of 2020 as the Group had no assessable profit for the prior period.

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

| | Six months ended 30 June 2021 (Unaudited) HK\$'000 | Six months ended 30 June 2020 (Unaudited) HK\$'000 |
|-----------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| Hong Kong Profits Tax | 1,769 | - |

9. Earnings (Loss) per share

Basic and diluted earnings (loss) per share were calculated on the net profit attributable to shareholders of the Company of HK\$402,140,000 for the six months ended 30 June 2021 (30/6/2020: net loss of HK\$110,946,000) and the weighted average number of 530,289,480 (30/6/2020: 530,289,480) ordinary shares in issue during the period.

Diluted earnings (loss) per share for the six months ended 30 June 2021 and 2020 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 2021 and 2020.

10. Interim dividend

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2021 (30/6/2020: nil).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

11. Investment properties

| | 30 June 2021 (Unaudited) HK\$'000 | 31 December 2020 (Audited) HK\$'000 |
|----------------------|-----------------------------------------|-------------------------------------------|
| At 1 January | 405,600 | 418,100 |
| Change in fair value | 13,260 | (12,500) |
| | 418,860 | 405,600 |

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.

At the reporting date, the fair values of the Group's investment properties were determined by Centaline Surveyors Limited and CBRE Limited, independent qualified professional valuers, on direct comparison approach with reference to comparable transactions available in the relevant locality. The fair value measurement of these investment properties 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

12. Financial assets at fair value through OCI

| | 30 June 2021 (Unaudited) HK\$'000 | 31 December 2020 (Audited) HK\$'000 |
|-------------------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| Unlisted equity investments | | |
| Co-investment in a property project | | |
| At 1 January | 80,909 | 51,056 |
| Additions | - | 16,559 |
| Addition of investment under Special Capital Call ³ | - | 33,360 |
| Disposal of investment under share repurchase scheme ⁴ | - | (33,360) |
| Change in fair value ¹ | 5,973 | 13,294 |
| | 86,882 | 80,909 |
| Unlisted club debentures | | |
| At 1 January | 20,500 | 20,000 |
| Change in fair value ² | - | 500 |
| | 20,500 | 20,500 |
| Unlisted club membership | | |
| At 1 January | 2,883 | 2,844 |
| Change in fair value ² | 300 | 39 |
| | 3,183 | 2,883 |
| | 110,565 | 104,292 |

Notes:

- Items that will not be reclassified to profit or loss.
- Items that may be reclassified subsequently to profit or loss.
- In early February 2020, an approximately 55.69% indirectly owned subsidiary of the Company (the "Co-Investor") provided additional US\$4,276,915, approximately HK\$33,360,000 as co-investment supplemental capital call pursuant to a supplemental memorandum (the "Memorandum") signed on 31 January 2020 for acquiring 4,276,915 issued non-voting participating class A shares of Dual Bliss Limited (the "Co-Investment Supplemental Capital Call"). This Co-Investment Supplemental Capital Call was required for all shareholders of Dual Bliss Limited ("Dual Bliss") and all other investors of the co-investment in Tower A of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC (the "Tower A" or previously named as "T3 Property") on a pro rata basis for the purpose of temporarily funding the unwinding of intercompany loan receivable/payable of the wholly-owned foreign-owned subsidiaries and onshore subsidiaries within the existing structure of the co-investment vehicle by the special funding (the "Special Fund") from this Co-Investment Supplemental Capital Call in order to obtain banking facilities under PRC regulations for the co-investment. The unwinding exercise was a condition precedent for the bank loan drawdown.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Subject to all applicable PRC governmental and regulatory approvals, the wholly-owned foreign-owned subsidiaries and onshore subsidiaries within the existing structure of the co-investment vehicle used the Special Fund to unwind the intercompany loan receivable/payable and upon the fulfilment of the condition precedent for successful drawdown of the bank loan facilities, the Special Fund had remitted back to respective shareholders in proportion to the shareholdings under the share repurchase scheme mechanism under the Memorandum.

4. In March 2020, the Co-Investor received a total of US\$4,276,915, approximately HK\$33,360,000 under the share repurchase scheme and those 4,276,915 issued non-voting participating class A shares of Dual Bliss under the Co-Investment Supplemental Capital Call had been repurchased and cancelled.
5. In March 2021, the Co-Investor together with other co-investors signed an unsecured subordinated shareholder loan agreement with Triple Smart Limited, a special purpose vehicle invested by Dual Bliss for the purposes of funding the operating expenditure of Tower A and the Co-Investor agreed to provide a maximum amount of advance up to US\$1,577,000, approximately HK\$12,300,000. As of 30 June 2021, no amount of advance was drawdown.

Pursuant to the co-investment documents, the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss of US\$10,000,000 (approximately HK\$78,000,000). Dual Bliss is one of the investors of the co-investment in Tower A. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$372,000, approximately HK\$2,905,000 (31/12/2020: US\$372,000, approximately HK\$2,905,000).

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 (representing the fair value of the equity instruments reported by Phoenix Property Investors Limited, the Investment Manager) 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

13. Loan receivables

| | 30 June 2021 (Unaudited) <i>HK\$'000</i> | 31 December 2020 (Audited) <i>HK\$'000</i> |
|-----------------------------------------|--------------------------------------------------------------|--------------------------------------------------|
| At 1 January | 260,192 | 350,500 |
| Repayment | (149,124) | (90,308) |
| Provision of individual impairment | - | - |
| Loan receivables, net of provision | 111,068 | 260,192 |
| Less: Amount receivable within one year | (17,493) | (40,774) |
| Amount receivable after one year | 93,575 | 219,418 |

The maturity of loan receivables (net of impairment loss) is as follows:

| | 30 June 2021 (Unaudited) <i>HK\$'000</i> | 31 December 2020 (Audited) <i>HK\$'000</i> |
|----------------------------|--------------------------------------------------------------|--------------------------------------------------|
| Within one year | 17,493 | 40,774 |
| In the second year | 41,047 | 63,903 |
| In the third to fifth year | 52,528 | 155,515 |
| | 111,068 | 260,192 |

The Group's loan receivables, which arise from asset-based financing, are denominated in United States Dollars and are secured by collaterals provided by the borrowers, and are repayable with fixed terms agreed with the borrowers. The Group generally grants loans with a loan-to-value ratio of no more than 70% of the value in the valuation report of the vessels held as collateral. The directors consider that the credit risk arising from loan receivables is significantly mitigated by the vessels held as collateral, with reference to the market values of the vessels which were appraised by independent qualified appraisal firms. During the first half of 2021, certain borrowers chose to early repay respective loans and such repayments led to a decrease in loan receivables as at the reporting date.

At the reporting date, these receivables have been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness and the collection statistics, and are not considered as impaired. The carrying amount of these loan receivables are considered to be a reasonable approximation of their fair values.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

14. Trade and other receivables

| | 30 June 2021 (Unaudited) <i>HK\$'000</i> | 31 December 2020 (Audited) <i>HK\$'000</i> |
|---------------------------|--------------------------------------------------------------|--------------------------------------------------|
| Trade receivables | 3,605 | 4,126 |
| Prepayments | 11,271 | 9,953 |
| Rental and other deposits | 1,215 | 758 |
| Other receivables | 75,555 | 89,506 |
| | 88,041 | 100,217 |
| | 91,646 | 104,343 |

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

| | 30 June 2021 (Unaudited) <i>HK\$'000</i> | 31 December 2020 (Audited) <i>HK\$'000</i> |
|------------------------------------|--------------------------------------------------------------|--------------------------------------------------|
| Within 3 months | 3,444 | 3,708 |
| Over 3 months but within 6 months | 106 | 363 |
| Over 6 months but within 12 months | 55 | 55 |
| Over 12 months | - | - |
| | 3,605 | 4,126 |

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

The credit terms given to charterers vary from 15 to 60 days according to the types of vessels' employment.

The carrying amounts of trade and other receivables are considered to be a reasonable approximation of their fair values due to their short term maturities.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

15. Financial assets at fair value through profit or loss

| | 30 June 2021 (Unaudited) <i>HK\$'000</i> | 31 December 2020 (Audited) <i>HK\$'000</i> |
|-----------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------|
| <i>Held for trading</i> | | |
| Equity securities | | |
| Listed in Hong Kong | 304,889 | 150,704 |
| Listed outside Hong Kong | 117,483 | 123,650 |
| | 422,372 | 274,354 |
| | | |
| Debt securities | | |
| Listed in Hong Kong | 15,276 | 18,481 |
| Listed outside Hong Kong | 21,021 | 26,299 |
| Unlisted | 7,488 | - |
| | 43,785 | 44,780 |
| | | |
| <i>Designated as such upon initial recognition:</i> | | |
| Investment funds | 2,118 | 1,954 |
| | 468,275 | 321,088 |

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 unlisted debt securities and investment funds 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

16. Trade and other payables

| | 30 June 2021 (Unaudited) <i>HK\$'000</i> | 31 December 2020 (Audited) <i>HK\$'000</i> |
|---------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------|
| Trade payables | 2,068 | 1,810 |
| Accrued charges | 10,559 | 7,778 |
| Other payables | | |
| Payables related to vessel running cost and ship operating expenses | 121,049 | 123,908 |
| Hire receipt in advance | 24,004 | 5,293 |
| Loan interest payables | 1,141 | 1,350 |
| Accrued employee benefits | 1,592 | 1,851 |
| Others | 5,274 | 1,862 |
| | 153,060 | 134,264 |
| | 165,687 | 143,852 |

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

| | 30 June 2021 (Unaudited) <i>HK\$'000</i> | 31 December 2020 (Audited) <i>HK\$'000</i> |
|------------------------------------|--------------------------------------------------------------|---------------------------------------------------------|
| Within 3 months | 539 | 601 |
| Over 3 months but within 6 months | 279 | - |
| Over 6 months but within 12 months | 280 | 164 |
| Over 12 months | 970 | 1,045 |
| | 2,068 | 1,810 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS

17. Secured bank loans

| | 30 June 2021 (Unaudited) HK\$'000 | 31 December 2020 (Audited) HK\$'000 |
|----------------------------------------|-----------------------------------------|-------------------------------------------|
| Vessel mortgage loans | 391,041 | 423,969 |
| Other bank loans | 528,773 | 562,205 |
| Total secured bank loans | 919,814 | 986,174 |
| Less: Amount repayable within one year | (559,141) | (545,667) |
| Amount repayable after one year | 360,673 | 440,507 |

During the six months ended 30 June 2021, the Group had drawn new revolving loans and term loan of HK\$97,939,000 (30/6/2020: HK\$149,079,000) and repaid HK\$164,299,000 (30/6/2020: HK\$246,311,000).

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

18. Capital expenditures and commitments

During the six months ended 30 June 2021, capital expenditure on additions of motor vessels and capitalized drydocking costs was HK\$129,337,000 (30/6/2020: HK\$27,454,000) and on other property, plant and equipment was HK\$308,000 (30/6/2020: HK\$18,000).

Pursuant to the co-investment documents, the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss of US\$10,000,000 (approximately HK\$78,000,000). Dual Bliss is one of the investors of the co-investment in Tower A. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$372,000, approximately HK\$2,905,000 (31/12/2020: US\$372,000, approximately HK\$2,905,000).

On 20 May 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 52,686 metric tons at a purchase price of US\$10,813,000, approximately HK\$84,341,000. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$8,650,000, approximately HK\$67,473,000 (31/12/2020: nil).

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for was HK\$70,378,000 (31/12/2020: HK\$2,905,000). Save as disclosed above, there was no other significant capital expenditure commitments contracted by the Group but not provided for as at the reporting date.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

19. 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 2021 (Unaudited) HK\$'000 | Six months ended 30 June 2020 (Unaudited) HK\$'000 |
|----------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| Salaries and other benefits | 33,217 | 33,130 |
| Contributions to retirement benefits schemes | 1,772 | 1,772 |
| | 34,989 | 34,902 |

Other payables included accrued employee benefits payables to directors and senior management of HK\$248,000 (31/12/2020: HK\$200,000). There is no other balance or transaction related to connected party or any director and senior management and substantial shareholder of the Group that had not been disclosed under the requirement of Chapter 14 and 14A of the Listing Rules and HKAS 24 (Revised) "Related Party Disclosures".

20. Events after the reporting date

Subsequent to the reporting date, the Group entered into an agreement on 9 July 2021 in respect of the acquisition of a Supramax of deadweight 55,866 metric tons at a purchase price of US\$15,180,000 (approximately HK\$118,404,000), which will be delivered to the Group on or before 20 October 2021.

PUBLICATION OF FINANCIAL INFORMATION

The interim report of the Company for the six months ended 30 June 2021 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.