JINHUI

JINHUI HOLDINGS COMPANY LIMITED

金輝集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code : 137

2018 RESULTS ANNOUNCEMENT

HIGHLIGHTS

FOR THE YEAR 2018

- Revenue for the year: HK$594 million
- Net profit attributable to shareholders for the year: HK$48 million
- Operating profit for the year: HK$106 million included net gain on disposal of four motor vessels of HK$42 million
- Basic earnings per share: HK$0.091
- Gearing ratio as at 31 December 2018: 6%

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the results of **Jinhui Holdings Company Limited** (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2018.

2018 ANNUAL RESULTS

The Group's revenue for the year 2018 was HK$593,680,000 whereas HK$573,663,000 was reported for the year 2017. The net profit attributable to shareholders of the Company for the year 2018 was HK$48,223,000 while a net loss of HK$13,631,000 was reported for the year 2017. The consolidated net profit for the year 2018 was mainly attributable to the improved shipping revenue and the net gain from disposal of four motor vessels in 2018. Basic earnings per share for the year was HK$0.091 as compared to basic loss per share of HK$0.026 for the year 2017.

In the second half of 2018, the impact of US-China trade war to global economies have begun to surface, and the global shipping market, stock and financial markets were affected with different magnitude. The Group has recognized net loss of HK$32,866,000 on financial assets at fair value through profit or loss and was included in other operating expenses for the year 2018.

During the year, the Group took the opportunity to enter into four memorandums of agreement to dispose of four Supramaxes at a total consideration of US$32,560,000 (approximately HK$253,968,000) with the net gain of HK$42,407,000 on completion of the disposal of these four vessels in the second half of 2018. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate and believe that the disposal of four Supramaxes aged above 15 years would enable the Group to enhance its working capital position and further strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio and reduce our exposure in operational risk in the unpredictable and volatile market environment.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2018. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2018.

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 improved remarkably in the first half of 2018, driven mainly by strong Chinese dry bulk imports and limited tonnage growth and high level of demolitions activities. Both Baltic Dry Index ("BDI") and charter rates across all vessel classes had been showing encouraging improvements when comparing the first half of 2017. With a better balance of dry bulk shipping demand and supply, the market freight rate was moving upward in the year and the average of BDI for the year 2018 was 1,353 points, which compares to 1,145 points in 2017. The dry bulk shipping market sentiment altered in the last quarter of 2018 under the tension of US-China trade war and freight rates were suppressed by the rapidly softening demand for global seaborne trading activities, in particular to iron-ore and coal, grain and soybean trading activities.

Average daily time charter equivalent rates ("TCE")	**2018**	2017
	US$	*US$*
Post-Panamax fleet	**11,689**	8,645
Supramax / Handysize fleet	**9,743**	8,063
In average	**9,922**	8,111

Key Performance Indicators for Shipping Business	**2018**	2017
	HK$'000	*HK$'000*
Average daily TCE	**77**	63
Daily vessel running cost	**31**	30
Daily vessel depreciation	**16**	16
Daily vessel finance cost	**3**	4
	50	50
Average utilization rate	**99%**	99%

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2018, the Group had nineteen owned vessels. Dry bulk shipping market improved remarkably in the first half of 2018, driven mainly by strong Chinese dry bulk imports and limited tonnage growth and high level of demolitions activities. The average daily TCE earned by the Group’s owned vessels increased 22% to US$9,922 (approximately HK$77,000) for the year 2018 as compared to US$8,111 (approximately HK$63,000) for the year 2017. Daily vessel running cost increased 5% from US$3,843 (approximately HK$30,000) for the year 2017 to US$4,028 (approximately HK$31,000) for the year 2018 due to mild inflation in crew wages. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants. Daily vessel finance cost decreased 32% from US$568 (approximately HK$4,000) for the year 2017 to US$387 (approximately HK$3,000) for the year 2018 mainly due to the interest saving from the reduction in outstanding loan principal upon repayment of all deferred installments for those loans restructured during the forbearance period of HK$244,971,000 to respective lenders and repayment of vessel mortgage loans, partially offset by the impact of rising LIBOR in 2018 as all of the Group’s bank borrowings were committed on floating rate basis. Fleet utilization rate is 99% for the year 2018 which is same as the year 2017.

As at 31 December 2018, the Group had nineteen owned vessels as follows:

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

During the year, the Group had entered into four memorandums of agreement to dispose of four Supramaxes at a total consideration of US$32.6 million (approximately HK$254 million). Following the disposal of four vessels, the Group's total carrying capacity had been reduced from deadweight 1,341,902 metric tons to 1,136,283 metric tons. Four vessels had been delivered to the respective buyers in the second half of 2018.

Subsequent to the reporting date, the Group 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 on 12 March 2019.

FINANCIAL REVIEW

Revenue and operating profit. The Group's revenue for the year 2018 increased 3% to HK$593,680,000, comparing to HK$573,663,000 for the year 2017. The Company recorded a consolidated net profit of HK$78,338,000 for the year 2018 while a consolidated net loss of HK$28,149,000 was reported in 2017. The consolidated net profit for the year 2018 was mainly attributable to the improved shipping revenue and the net gain of HK$42,407,000 from the completion of the disposal of four motor vessels in 2018. The average daily TCE earned by the Group's owned vessels increased 22% to US$9,922 (approximately HK$77,000) for the year 2018 as compared to US$8,111 (approximately HK$63,000) for the year 2017. Basic earnings per share for the year was HK$0.091 as compared to basic loss per share of HK$0.026 for the year 2017.

Other operating income. Other operating income for the year 2018 mainly included change in fair value of investment properties of HK$23,836,000, net gain on bunker of HK$14,145,000 arising from shipping operations, dividend income of HK$6,073,000 and settlement income of HK$3,512,000 from a charterer in relation to repudiation claims. Other operating income decreased from HK$105,449,000 for the year 2017 to HK$72,331,000 for the year 2018 due to the net gain of HK$38,340,000 on financial assets at fair value through profit or loss was recorded in 2017.

Shipping related expenses. Shipping related expenses dropped from HK$340,841,000 for the year 2017 to HK$295,439,000 for the current year. The decrease was mainly attributable to the reduced number of owned vessels. Daily vessel running cost slightly increased 5% from US$3,843 (approximately HK$30,000) for the year 2017 to US$4,028 (approximately HK$31,000) for the year 2018 due to mild inflation of crew wages. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

Other operating expenses. Other operating expenses increased from HK$62,928,000 for the year 2017 to HK$87,067,000 for the current year. The increase was mainly due to the recognition of net loss of HK$32,866,000 on financial assets at fair value through profit or loss when the impact of US-China trade war to global economies have begun to surface in the second half of 2018, and the global shipping market, stock and financial markets were affected with different magnitude.

Finance costs. Finance costs decreased to HK$27,275,000 for the year 2018, as compared to HK$40,498,000 for the year 2017 mainly due to the interest saving from the reduction in outstanding loan principal upon repayment of all deferred installments for those loans restructured during the forbearance period of HK$244,971,000 to respective lenders, repayment of vessel mortgage loans and repayment of revolving loans, partially offset by the impact of rising LIBOR in 2018 as all of the Group's bank borrowings were committed on floating rate basis.

Financial assets at fair value through profit or loss. As at 31 December 2018, the Group's portfolio of investment in financial assets at fair value through profit or loss was HK$323,606,000 (2017: HK$208,572,000), in which HK$285,267,000 (2017: HK$173,924,000) was investment in listed equity securities, HK$33,968,000 (2017: HK$34,648,000) was investment in listed debt securities and HK$4,371,000 (2017: nil) was investment in equity linked notes.

Liquidity, financial resources and capital structure. As at 31 December 2018, the Group maintained positive working capital position of HK$479,832,000 (2017: HK$349,766,000) and the total of the Group's equity and debt securities, bank balances and cash decreased to HK$712,506,000 (2017: HK$819,533,000). During the year, the net cash generated from operations before working capital changes was HK$163,343,000 (2017: HK$185,189,000) and the net cash generated from operating activities after working capital changes was HK$17,208,000 (2017: HK$307,287,000). The significant working capital changes for the year were primarily attributed to the cash used for the settlement of accruals and other payables and in acquiring financial assets at fair value through profit or loss.

The Group's total secured bank loans dropped from HK$1,077,034,000 as of 31 December 2017 to HK$829,473,000 as at 31 December 2018, of which 33%, 8%, 43% and 16% are repayable respectively within one year, one to two years, two to five years and over five years. During the year, the Group had drawn new secured bank loans of HK$458,000,000 which included refinancing of certain vessels, revolving loans for working capital purpose and property mortgage loans for its investment properties. The Group repaid HK$705,561,000 that included repayment of all deferred installments for those loans restructured during the forbearance period of HK$244,971,000 to respective lenders, repayment of vessel mortgage loans and repayment of revolving loans. The bank borrowings represented vessel mortgage loans that were denominated in United States Dollars, revolving loans and property mortgage loans that were denominated in Hong Kong Dollars. All bank borrowings were committed on floating rate basis.

An intercreditor deed (the “ICD”) forming between the Group and major lenders was executed in December 2016. Pursuant to the terms of the ICD, the Group shall pay 50% of each repayment installment during the forbearance period until 31 December 2018 (with early restructuring exit option) and the remaining 50% of each such installment be deferred and repaid after the end of the forbearance period in 2019. The ICD specified that an assessment of the Group’s liquidity and financial capability would be completed in December 2017 to decide whether to continue or exit the forbearance period on 31 December 2017. As the Group fulfilled the liquidity and financial capability assessment, we received consent from respective lenders to exit and end the ICD on 31 December 2017.

The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, decreased to 6% (2017: 13%) as at 31 December 2018. The drop in gearing ratio for the year was mainly attributable to the decrease in bank borrowings upon repayment of all deferred installments for those loans restructured in previous year and repayment of vessel mortgage loans. With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements. As at 31 December 2018, the Group is able to service its debt obligations, including principal and interest payments.

Pledge of assets. As at 31 December 2018, the Group's property, plant and equipment with an aggregate net book value of HK$1,716,113,000 (2017: HK$1,995,279,000), investment properties with an aggregate carrying amount of HK$386,610,000 (2017: HK$160,880,000), and deposits of HK$26,722,000 (2017: HK$50,864,000) placed with banks were pledged together with the assignment of eighteen (2017: twenty three) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of ten (2017: eighteen) ship owning subsidiaries were pledged to banks for secured bank loans.

Capital expenditures and commitments. During the year, capital expenditure on additions of owned vessels was HK$40,641,000 (2017: HK$38,776,000), on other property, plant and equipment was HK$1,232,000 (2017: HK$34,000) and on investment properties was HK$191,724,000 (2017: nil).

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 year, the Co-Investor paid US$4,827,000 (approximately HK$37,653,000) 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$5,173,000 (approximately HK$40,347,000). Details of the co-investment have been published in the Group's announcement on 20 April 2018, which is available on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.jinhuiship.com.

The Group submitted the tender for the acquisition of two properties in April 2018 at a total consideration of HK$113,000,000. On 6 April 2018, the Group received the letter from the vendor that the tender for the acquisition of two properties has been accepted. The investment of two properties represents a small allocation of capital into revenue generating assets that are non-correlated to our core shipping business which is often cyclical in nature. The Directors believe the acquisition prices are highly attractive. The total costs of investment properties capitalized upon the completion of acquisition were HK$123,283,000.

On 13 July 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of the investment properties at a consideration of HK$63,000,000. The investment properties are located in a prime commercial area in Hong Kong close to the Central district and are expected to generate steady and recurring stream of income for the Group. The completion date of the acquisition of the investment properties was 30 November 2018 and total costs capitalized were HK$68,441,000.

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. During the year, the Group paid HK$4,649,000 in respect of the acquisition of the investment property, and as at the reporting date, 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$66,691,000 (2017: nil).

The co-investment in a property project in Shanghai and the acquisition of four investment properties represent a small allocation of capital into revenue generating assets that are non-correlated to our core shipping business which is often cyclical in nature. The Directors and senior management have been reviewing the prevailing property market in Hong Kong and Shanghai and believe the acquisition prices are highly attractive. In view of global commercial property market, rent and leasing demand in alternative central business district going forward is expected to be robust. The properties located in prime commercial area in Hong Kong and Shanghai and are expected to generate steady and recurring stream of income for the Group.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

SIGNIFICANT INVESTMENT

As at 31 December 2018, the Group had investments in listed equity and debt securities with fair value of HK$285,267,000 and HK$33,968,000 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 year 2018, the Group recognized realized trading gain of HK$2,777,000 and unrealized loss from mark-to-market fair value adjustments of HK$34,374,000 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 31 December 2018 is set out below:

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 776,807 shares of UOB with investment cost of approximately HK$122,139,000. The fair value of these shares as at 31 December 2018 was approximately HK$109,387,000, which represented approximately 5.2% of the Group's net assets.

As disclosed in the results announcement of UOB for the year ended 31 December 2018, UOB recorded an audited net earnings of SGD4 billion, 18% higher than the year of 2017. Basic earnings per share for the year 2018 was SGD2.34 as compared to basic earnings per share of SGD1.99 for the year 2017. 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 31 December 2018. 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 PROPERTIES

The Group submitted the tender for the acquisition of two properties in April 2018 at a total consideration of HK$113,000,000. On 6 April 2018, the Group received the letter from the vendor that the tender for the acquisition of two properties has been accepted. The total costs of investment properties capitalized upon the completion of acquisition were HK$123,283,000.

On 13 July 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of the investment properties at a consideration of HK$63,000,000 and the total costs of investment properties capitalized upon the completion of acquisition were HK$68,441,000.

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 completion date of the acquisition of the investment property was 31 January 2019. During the year, the Group paid HK$4,649,000 in respect of the acquisition of the investment property, and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was HK$26,344,000.

The acquisition of the above investment properties represent a small allocation of capital into revenue generating assets that are non-correlated to our core shipping business which is often cyclical in nature. The Directors and senior management have been reviewing the prevailing property market in Hong Kong and believe the acquisition prices are highly attractive. In view of global commercial property market, rent and leasing demand in alternative central business district going forward is expected to be robust. The properties located in prime commercial area in Hong Kong and are expected to generate steady and recurring stream of income for the Group.

DISPOSAL OF VESSELS

During the year, the Group had entered into four memorandums of agreement to dispose of four Supramaxes at a total consideration of US$32.6 million (approximately HK$254 million) with the net gain of HK$42,407,000 on completion of the disposal of these four vessels in the second half of 2018. Following the disposal of four vessels, the Group's total carrying capacity had been reduced from deadweight 1,341,902 metric tons to 1,136,283 metric tons. Subsequent to the reporting date, the Group 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 on 12 March 2019.

The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate and believe that the disposal of five Supramaxes aged above 15 years would enable the Group to enhance its working capital position and further strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio and reduce our exposure in operational risk in the unpredictable and volatile market environment.

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 year.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 67 (2017: 69) full-time employees. The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident funds. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

RISK FACTORS

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

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

OUTLOOK

The freight market for most of 2018 has been favourable for the Company, with strong support in asset prices underpinned by healthy earnings. This favourable environment changed abruptly since the final months of 2018 where demand and sentiment were hit by a combination of factors — US-China trade war, slowing world GDP growth rates, Chinese New Year slowdown, accidents at iron ore suppliers in Brazil and Australia. With lesser ship scrapping given the favourable trading conditions earlier on in the year, the freight rate sharply declined in recent months.

Looking ahead, it is important to focus in macro and industry fundamentals.

The factor that haunts ship owners the most has always been oversupply. On a positive note, with a net new supply of approximately 3% of the overall dry bulk fleet for 2019 and 2020, the supply of new vessels remained to be the lowest since the year 2000. When looking at the age profile of the global bulker fleet, close to 40 million tonnes of the global fleet are older than 20 years old. With 2018 being the end of China for the import of international flagged tonnage due to new environmental policies, the IMO 2020 deadline, these old tonnages are likely to head towards the scrap yard rather than continue trading, given the economics involves highly expensive maintenance costs including the hurdles to maintain valid certificates for international trading. The incentive to order newbuildings has been at a historical low, given the uncertainty on how future regulations will evolve, financing costs on the rise, financial institution adopting a cautious approach towards asset base lending, and ongoing deleveraging exercise and prevention of capital outflow in China. Should the underlying long term demand remain relatively robust, we believe the freight rate will normalize in the positive direction in 2019.

Changes in technology as well as environmental policies causing changes in global energy mix will have material global implications and as a consequence, impact the Company's business. One of the most widely debated topics in our industry is the installation of scrubbers to meet the IMO 2020 sulphur cap emission regulation. We are currently refraining from the installation of scrubbers given the long term technical and commercial viability of scrubbers is yet to be proven, some countries have recently banned the use of open looped scrubbers for example, demonstrating the lack of consensus on the best way to meet the 2020 sulphur cap. At this juncture, we continue to believe the use of low sulphur fuel is the most efficient way to protect our environment. We expect the availability of such product will become abundant at reasonable costs with time, given the likelihood of a ramp up in demand from 2020 onwards.

Further unexpected events may occur which can introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets due to geopolitical events. We will continue to refrain from using freight, bunker, currencies or interest rate derivatives to minimize any unnecessary business risks. In 2018, we invested a small amount of capital into real estate assets in order to build a steady recurring income as well as potential long term capital appreciation to counter the highly volatile and cyclical nature of our core business.

We are in a relatively fortunate position where we have no capital expenditure commitment in relation to newbuilding contracts, as well as no charter-in contracts at this juncture. We have sold some of our older vessels lately to further enhance our already competitive cost structure over the long term, as well as immediate strengthening of our financial position. Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position, to ensure safe navigation through any stormy waters that may lie ahead.

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. Going forward, we will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under all kinds of scenarios. We will continue to exercise our best efforts to be a trustworthy business partner.

By Order of the Board

Ng Siu Fai
Chairman

Hong Kong, 22 March 2019

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 year ended 31 December 2018, 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.

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 year ended 31 December 2018.

SCOPE OF WORK OF THE AUDITOR

The figures in the results announcement of the Group for the year ended 31 December 2018 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "Auditor"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the results announcement.

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 Company's interim and annual reports before submission to the Board. The Group's financial statements for the year ended 31 December 2018 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

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 year.

ANNUAL GENERAL MEETING AND BOOK CLOSURE

The Annual General Meeting of the Company will be held on Thursday, 16 May 2019. Notice of the Annual General Meeting will be published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.jinhuiship.com, and will be despatched to shareholders of the Company in due course.

The register of members of the Company will be closed from Friday, 10 May 2019 to Thursday, 16 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 9 May 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018	2017
		HK$'000	*HK$'000*
Revenue	2	**593,680**	573,663
Net gain on disposal of owned vessels	3	**42,407**	-
Other operating income	4	**72,331**	105,449
Interest income		**10,966**	13,822
Shipping related expenses		**(295,439)**	(340,841)
Staff costs		**(90,259)**	(67,792)
Impairment loss on assets held for sale		**-**	(49,149)
Other operating expenses		**(87,067)**	(62,928)
Operating profit before depreciation and amortization	5	**246,619**	172,224
Depreciation and amortization		**(141,006)**	(159,875)
Operating profit		**105,613**	12,349
Finance costs		**(27,275)**	(40,498)
Profit (Loss) before taxation		**78,338**	(28,149)
Taxation	6	**-**	-
Net profit (loss) for the year		**78,338**	(28,149)
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)		**(2,298)**	-
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through OCI (recycling)		**1,408**	-
Change in fair value of available-for-sale financial assets		**-**	2,450
Total comprehensive income (loss) for the year		**77,448**	(25,699)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018	2017
	Note	***HK$'000***	*HK$'000*
Net profit (loss) for the year attributable to:			
Shareholders of the Company		**48,223**	(13,631)
Non-controlling interests		**30,115**	(14,518)
		78,338	(28,149)
Total comprehensive income (loss) for the year attributable to:			
Shareholders of the Company		**48,303**	(11,225)
Non-controlling interests		**29,145**	(14,474)
		77,448	(25,699)
Earnings (Loss) per share	7		
Basic and diluted		**HK$0.091**	HK$(0.026)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018	2017
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,728,757**	2,088,363
Investment properties	*9*	**386,610**	171,050
Financial assets at fair value through OCI	*10*	**64,343**	-
Available-for-sale financial assets		**-**	27,431
Intangible assets		**1,022**	1,067
		2,180,732	2,287,911
Current assets			
Inventories		**2,735**	454
Trade and other receivables	*11*	**114,463**	132,986
Financial assets at fair value through profit or loss	*12*	**323,606**	208,572
Pledged deposits		**26,722**	50,864
Bank balances and cash	*13*	**393,271**	610,961
		860,797	1,003,837
Assets held for sale		**52,749**	-
		913,546	1,003,837
Current liabilities			
Trade and other payables	*14*	**158,185**	176,856
Secured bank loans	*15*	**275,529**	477,215
		433,714	654,071
Net current assets		**479,832**	349,766
Total assets less current liabilities		**2,660,564**	2,637,677
Non-current liabilities			
Secured bank loans	*15*	**553,944**	599,819
Net assets		**2,106,620**	2,037,858

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	**381,639**	381,639
Reserves	**844,262**	795,959
	1,225,901	1,177,598
Non-controlling interests	**880,719**	860,260
Total equity	**2,106,620**	2,037,858

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to shareholders of the Company							
	Issued capital *HK$'000*	Other asset revaluation reserve *HK$'000*	Reserve for available-for-sale financial assets *HK$'000*	Reserve for financial assets at fair value through OCI *HK$'000*	Retained Profits *HK$'000*	Subtotal *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2017	381,639	35,523	14,847	-	741,877	1,173,886	804,952	1,978,838
Comprehensive loss								
Net loss for the year	-	-	-	-	(13,631)	(13,631)	(14,518)	(28,149)
Other comprehensive income								
Change in fair value of available-for-sale financial assets	-	-	2,406	-	-	2,406	44	2,450
Total comprehensive loss for the year	-	-	2,406	-	(13,631)	(11,225)	(14,474)	(25,699)
Transfer to retained profits upon disposal of investment properties	-	(33,784)	-	-	33,784	-	-	-
Change in non-controlling interests upon rights issue of a subsidiary	-	-	-	-	14,937	14,937	69,782	84,719
At 31 December 2017	381,639	1,739	17,253	-	776,967	1,177,598	860,260	2,037,858
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 year	-	-	-	-	48,223	48,223	30,115	78,338
Other comprehensive income (loss)								
Change in fair value of financial assets at fair value through OCI	-	-	-	80	-	80	(970)	(890)
Total comprehensive income for the year	-	-	-	80	48,223	48,303	29,145	77,448
Interim dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	(8,686)	(8,686)
At 31 December 2018	**381,639**	**1,739**	**-**	**17,333**	**825,190**	**1,225,901**	**880,719**	**2,106,620**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018	2017
	Note	***HK$'000***	*HK$'000*
OPERATING ACTIVITIES			
Cash generated from operations		**43,313**	348,774
Interest paid		**(26,105)**	(41,487)
Net cash from operating activities		**17,208**	307,287
INVESTING ACTIVITIES			
Interest received		**12,569**	16,245
Decrease (Increase) in bank deposits with more than three months to maturity when placed		**104,520**	(104,520)
Dividend income received		**5,861**	4,059
Purchase of property, plant and equipment		**(41,873)**	(38,810)
Purchase of investment properties		**(191,724)**	-
Payment of unlisted equity investments		**(37,802)**	-
Proceeds from disposal of property, plant and equipment, net		**250,176**	435
Proceeds from disposal of investment properties, net		**-**	96,445
Proceeds from disposal of assets held for sale, net		**-**	480,792
Net cash from investing activities		**101,727**	454,646
FINANCING ACTIVITIES			
New secured bank loans		**458,000**	30,000
Repayment of secured bank loans		**(705,561)**	(610,882)
Decrease (Increase) in pledged deposits		**24,142**	(201)
Interim dividend paid to non-controlling interests by subsidiaries		**(8,686)**	-
Proceeds from rights issue of a subsidiary, net		**-**	84,719
Net cash used in financing activities		**(232,105)**	(496,364)
Net increase (decrease) in cash and cash equivalents		**(113,170)**	265,569
Cash and cash equivalents at 1 January		**506,441**	240,872
Cash and cash equivalents at 31 December	*13*	**393,271**	506,441

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The financial information relating to the years ended 31 December 2018 and 2017 included in this announcement of 2018 annual results do not constitute the Company's statutory annual consolidated financial statements for those years 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 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2018 in due course.

- The Company's auditor has reported on the financial statements of the Group for both years. The independent auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, these consolidated financial statements included applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

The accounting policies and basis of preparation adopted in these financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2017, except for the Group has adopted the newly issued and amended HKFRS, which are effective for the annual period beginning on 1 January 2018.

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It introduces new requirements for the classification and measurement of financial assets, financial liabilities, new general hedge accounting requirements and impairment requirements for financial assets.

The directors have identified the following areas that are most impacted by the application of HKFRS 9:

Classification and measurement of financial assets at amortized cost

The Group classified its financial assets as at amortized cost if the following criteria are met:

(a) The asset is held within a business model with the objective of collecting the contractual cash flows; and

(b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All trade and other receivables, pledged deposits, and bank balances and cash continue to be measured at amortized cost, as these items meet the criteria to be classified as at amortized cost in accordance with HKFRS 9.

Classification and measurement of financial assets at fair value through other comprehensive income ("OCI")
The Group classified its financial assets at fair value through OCI if the following criteria are met:

(a) Equity investments that are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value through OCI rather than profit or loss;

(b) Financial assets which the Group designated to recognize changes in fair value through OCI rather than profit or loss and those financial assets are not equity investments or held for trading; and

(c) Debt investments where the contractual cash flows are solely principal and interest and the objective of the Group's business model are achieved both by collecting contractual cash flows and selling financial assets.

Upon the adoption of HKFRS 9: Financial Instruments, the Group's investments in unlisted club debentures and unlisted club membership classified as available-for-sale financial assets as at 31 December 2017 are reclassified to financial assets at fair value through other comprehensive income ("OCI") with effect from 1 January 2018. Cumulative fair value changes in the reserve for available-for-sale financial assets are transferred to reserve for financial assets at fair value through OCI with effect from 1 January 2018.

Classification and measurement of financial assets at fair value through profit or loss
The Group classified its financial assets at fair value through profit or loss if the following criteria are met:

(a) Equity investments that are held for trading;

(b) Equity investments for which the Group has not elected to recognize fair value gains and losses through OCI; and

(c) Debt investments that do not qualify for measurement at either amortized costs or at fair value through OCI.

All investments in listed equity securities and listed debt securities continue to be accounted for or designated as financial assets at fair value through profit or loss as the primary objective of holding these investments are for trading. The application of HKFRS 9 does not result in significant impact on the classification and measurement to financial assets classified in this category as the financial assets are continually measured at fair value through profit or loss.

New impairment requirements for financial assets
HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risks since initial recognition. For trade receivables only, the Group applies the simplified approach permitted by HKFRS 9, which require expected lifetime losses to be recognized from initial recognition of the receivables. There was no significant impact on impairment of financial assets under the new expected credit loss model.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer and a new five-step process must be applied before revenue can be recognized:

(a) Identify contracts with customers
(b) Identify the separate performance obligations in the contract
(c) Determine the transaction price of the contract
(d) Allocate the transaction price to each of the separate performance obligation in the contract
(e) Recognize the revenue as each performance obligation is satisfied

The adoption of HKFRS 15: Revenue from Contracts with Customers have no significant impact on the recognition of the Group's revenue. Whilst there are many forms of charter of varying lengths in shipping business, our revenue from operation mainly comprises chartering freight and hire income. Freight income from 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. The existing practice reflects the performance obligation to provide transportation services which is satisfied over time from when transport of the goods begins from loading port through delivery to discharging port and freight income is recognized over the period of performance as required by HKFRS 15. Hence, the application of HKFRS 15 has no significant impact on the recognition of the Group's revenue. For hire income under time charter, as ship owners and lessors, the Group continues to classify its time charter contract as operating lease, and hire income is recognized on a straight-line basis over the period of each time charter contract.

Other than the adoption of HKFRS 9 as stated above, the adoption of other new and amended HKFRS does not have material impact on the Group's financial performance and financial position.

2. Revenue

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

	2018	2017
	HK$'000	*HK$'000*
Chartering freight and hire income:		
Hire income under time charters[1]	**593,680**	549,946
Freight income under voyage charters[2]	**-**	23,717
	593,680	573,663

Notes:

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.

2. 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. Net gain on disposal of owned vessels

During the year, the Group took the opportunity to enter into four memorandums of agreement to dispose of four Supramaxes at a total consideration of US$32,560,000 (approximately HK$253,968,000) with the net gain of HK$42,407,000 on completion of the disposal of these four vessels in the second half of 2018.

4. Other operating income

Other operating income for the year 2018 mainly included change in fair value of investment properties of HK$23,836,000, net gain on bunker of HK$14,145,000 arising from shipping operations, dividend income of HK$6,073,000 and settlement income of HK$3,512,000 from a charterer in relation to repudiation claims.

Other operating income for the year 2017 mainly included net gain of HK$38,340,000 on financial assets at fair value through profit or loss, change in fair value of investment properties of HK$14,580,000 and settlement income of HK$8,301,000 from a charterer in relation to repudiation claims.

5. Operating profit before depreciation and amortization

This is stated after charging / (crediting):

	2018	2017
	HK$'000	*HK$'000*
Realized gain on financial assets at fair value through profit or loss	**(2,534)**	(19,655)
Unrealized loss (gain) on financial assets at fair value through profit or loss	**35,400**	(18,685)
Net loss (gain) on financial assets at fair value through profit or loss	**32,866**	(38,340)
Reversal of impairment loss on trade and other receivables	**(282)**	(461)
Change in fair value of investment properties	**(23,836)**	(14,580)
Net gain on disposal of property, plant and equipment	**(42,407)**	(363)
Net gain on disposal of investment properties	**-**	(27)
Dividend income	**(6,073)**	(4,521)

6. Taxation

Hong Kong Profits Tax has not been provided as the Group has no assessable profits for the years. In the opinion of the Directors, a substantial portion of the Group's income neither arose in nor was derived from Hong Kong and therefore was not subject to Hong Kong Profits Tax. The Group is not subject to taxation in any other jurisdictions in which the Group operates.

7. 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$48,223,000 for the year 2018 (2017: net loss of HK$13,631,000) and the weighted average number of 530,289,480 (2017: 530,289,480) ordinary shares in issue during the year.

Diluted earnings (loss) per share for the years 2018 and 2017 were the same as basic earnings (loss) per share as there was no potentially dilutive ordinary shares in existence for the years 2018 and 2017.

8. Dividend

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2018 (2017: nil).

9. Investment properties

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**171,050**	252,888
Additions	**191,724**	-
Disposals	**-**	(96,418)
Change in fair value	**23,836**	14,580
At 31 December	**386,610**	171,050

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 submitted the tender for the acquisition of two properties in April 2018 at a total consideration of HK$113,000,000. On 6 April 2018, the Group received the letter from the vendor that the tender for the acquisition of two properties has been accepted. The total costs of investment properties capitalized upon the completion of acquisition were HK$123,283,000.

On 13 July 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of the investment properties at a consideration of HK$63,000,000 and the total costs of investment properties capitalized upon the completion of acquisition were HK$68,441,000.

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 completion date of the acquisition of the investment property was 31 January 2019. During the year, the Group paid HK$4,649,000 in respect of the acquisition of the investment property, and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was HK$26,344,000.

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

10. Financial assets at fair value through OCI

	2018
	HK$'000
Unlisted equity investments	
Co-investment in a property project	37,802
Change in fair value[1]	(2,298)
	35,504
Unlisted club debentures	
At 1 January, reclassified upon the adoption of HKFRS 9	24,500
Change in fair value[2]	1,300
	25,800
Unlisted club membership	
At 1 January, reclassified upon the adoption of HKFRS 9	2,931
Change in fair value[2]	108
	3,039
	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.

On 20 April 2018, an approximately 55.69% indirectly owned subsidiary of the Company (the "Co-Investor") entered into an instrument of transfer of Dual Bliss Limited ("Dual Bliss") among the Co-Investor, the Investment Manager, Triple Smart Limited and Total Surplus Holdings Limited ("Total Surplus") (the "Transfer Document"), pursuant to which the Co-Investor shall acquire from Total Surplus 34.5901% of the issued non-voting participating class A shares of Dual Bliss at an amount equal to the Co-Investor's respective proportion of the capital contributions made by Total Surplus to Dual Bliss with interest and become liable to its attributable portion of the obligations relating to Total Surplus's participation in Dual Bliss of US$10,000,000 (approximately HK$78,000,000). The objective of Dual Bliss is to give third party investors the opportunity to co-invest in a Shanghai property project with a holding period of the investment of approximately 5 years. To partially diversify the Group's maritime related core business which is highly cyclical in nature, the Board decides to invest a small proportion of the Group's capital into non-maritime related investment. The target market of the co-investment opportunity is focused on Shanghai, China. In light of the long term growth potential of such market, the Board is of the view that such diversification will be beneficial in the long term capital return and development of the Group. Taking into account the abovementioned factors, the Board considers that the terms and conditions of the co-investment are fair and reasonable and on normal commercial terms and are in the interests of the Company and its shareholders as a whole. Pursuant to the co-investment documents, 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 year, the Co-Investor paid US$4,827,000 (approximately HK$37,652,000) in accordance with the terms and conditions of the co-investment documents and with interest of US$19,000 (approximately HK$150,000) capitalized.

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 year.

Upon the adoption of HKFRS 9: Financial Instruments, the Group's investments in unlisted club debentures and unlisted club membership classified as available-for-sale financial assets as at 31 December 2017 are reclassified to financial assets at fair value through other comprehensive income ("OCI") with effect from 1 January 2018. 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 year.

11. Trade and other receivables

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**11,000**	16,034
Prepayments, deposits and other receivables	**103,463**	116,952
	114,463	132,986

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

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**2,495**	7,724
Over 3 months but within 6 months	**1,138**	400
Over 6 months but within 12 months	**854**	116
Over 12 months	**6,513**	7,794
	11,000	16,034

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 (2017: 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.

12. Financial assets at fair value through profit or loss

	2018	2017
	HK$'000	*HK$'000*
Held for trading		
Equity securities		
Listed in Hong Kong	**173,232**	114,585
Listed outside Hong Kong	**112,035**	59,339
	285,267	173,924
Debt securities		
Listed in Hong Kong	**22,682**	13,304
Listed outside Hong Kong	**11,286**	21,344
	33,968	34,648
Designated as such upon initial recognition:		
Equity linked notes	**4,371**	-
	323,606	208,572

At the reporting date, the fair value measurements of listed equity securities and listed debt securities were determined by reference to their quoted bid prices in active markets and were categorized as Level 1 of the three-level fair value hierarchy as defined under HKFRS 13. There was no transfer among the three levels of the fair value hierarchy during the year.

13. Bank balances and cash

	2018	2017
	HK$'000	*HK$'000*
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**393,271**	506,441
Bank deposits with more than three months to maturity when placed	**-**	104,520
	393,271	610,961

14. Trade and other payables

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**2,438**	3,297
Accrued charges and other payables	**155,747**	173,559
	158,185	176,856

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

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**-**	111
Over 6 months but within 12 months	**140**	-
Over 12 months	**2,298**	3,186
	2,438	3,297

15. Secured bank loans

	2018	2017
	HK$'000	*HK$'000*
Vessel mortgage loans	**567,138**	1,075,034
Other bank loans	**262,335**	2,000
Less: Amount repayable within one year	**(275,529)**	(477,215)
Amount repayable after one year	**553,944**	599,819

An intercreditor deed (the "ICD") forming between the Group and major lenders was executed in December 2016. Pursuant to the terms of the ICD, the Group shall pay 50% of each repayment installment during the forbearance period until 31 December 2018 (with early restructuring exit option) and the remaining 50% of each such installment be deferred and repaid after the end of the forbearance period in 2019. The ICD specified that an assessment of the Group's liquidity and financial capability would be completed in December 2017 to decide whether to continue or exit the forbearance period on 31 December 2017. As the Group fulfilled the liquidity and financial capability assessment, we received consent from respective lenders to exit and end the ICD on 31 December 2017.

During the year, the Group had drawn new secured bank loans of HK$458,000,000 which included refinancing of certain vessels, revolving loans for working capital purpose and property mortgage loans for its investment properties. The Group repaid HK$705,561,000 that included repayment of all deferred installments for those loans restructured during the forbearance period of HK$244,971,000 to respective lenders, repayment of vessel mortgage loans and repayment of revolving loans. The Group's total secured bank loans dropped from HK$1,077,034,000 as of 31 December 2017 to HK$829,473,000 as of 31 December 2018.

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.

16. Capital expenditures and commitments

During the year, capital expenditure on additions of owned vessels was HK$40,641,000 (2017: HK$38,776,000), on other property, plant and equipment was HK$1,232,000 (2017: HK$34,000) and on investment properties was HK$191,724,000 (2017: nil).

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 year, the Co-Investor paid US$4,827,000 (approximately HK$37,653,000) 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$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. During the year, the Group paid HK$4,649,000 in respect of the acquisition of the investment property, and as at the reporting date, 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$66,691,000 (2017: nil).

17. Related party transactions

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

	2018	2017
	HK$'000	*HK$'000*
Salaries and other benefits	**62,137**	41,874
Contributions to retirement benefits schemes	**2,895**	1,633
	65,032	43,507

18. Events after the reporting date

Subsequent to the reporting date, the Group 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 on 12 March 2019.

For financial reporting purposes, the vessel was reclassified to "Assets held for sale" in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The Directors believe that the disposal of the vessel aged above 15 years would enable the Group to enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio and reduce our exposure in operational risk in the unpredictable and volatile market environment.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Company for the year ended 31 December 2018 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.