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JINHUI HOLDINGS COMPANY LIMITED

金輝集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code : 137

2022 RESULTS ANNOUNCEMENT

HIGHLIGHTS

FOR THE YEAR 2022

- Revenue for the year: HK\$1,189 million
- Net loss for the year: HK\$70 million included non-cash impairment loss on owned vessels of HK\$385 million
- Net loss attributable to shareholders for the year: HK\$46 million
- Basic loss per share: HK\$0.086
- Gearing ratio as at 31 December 2022: 8%
- Proposed final dividend per share: HK\$0.02

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 2022.

2022 ANNUAL RESULTS

The Group’s revenue for the year 2022 increased 16% to HK\$1,189,232,000, comparing to HK\$1,022,335,000 for the year 2021. The consolidated net loss for the year 2022 was HK\$70,179,000 which included a net impairment loss of HK\$384,742,000 on owned vessels as compared to a consolidated net profit of HK\$1,498,072,000 which included a reversal of impairment loss of HK\$1,042,129,000 on owned vessels, was reported for the year 2021. The net loss attributable to shareholders of the Company for the year 2022 was HK\$45,595,000 as compared to a net profit of HK\$826,895,000 was reported for the year 2021. Basic loss per share for the year was HK\$0.086 as compared to basic earnings per share of HK\$1.559 for the year 2021.

Given the strong rebound of market freight rates driven by robust demand for dry bulk commodities since 2021, limited supply of vessels and the increase in number of owned and chartered-in vessels, the Group recorded a significant increase in the chartering freight and hire revenue for the first half of 2022. However, there was a decline in market freight rates during the second half of 2022 as affected by the increase in interest rates imposed by various central banks, higher inflation, congestion related to COVID-19 ease globally, ongoing of multiple geo-political issues and slowdown of global economic growth. The average daily time charter equivalent rate decreased from US\$19,233 (approximately HK\$150,000) for the year 2021 to US\$18,813 (approximately HK\$147,000) for the year 2022. The consolidated net loss for the year was also affected by the increment in vessel operating expenses such as crew costs and other pandemic related manning expenses incurred during the year.

Due to subdued macroeconomic conditions in the second half of 2022, the market freight rates continued to decline particularly in the fourth quarter of 2022. The Group performed an impairment loss review at end of 2022 to reflect the Group’s change in the expectation of the outlook of long term global economy and the dry bulk shipping industry. The assumptions applied in estimation of the value in use of the Group’s owned vessels were therefore adjusted accordingly. A net impairment loss on owned vessels recognized at 31 December 2022 was HK\$384,742,000. The impairment loss on owned vessels is non-cash in nature and does not have impact on the operating cash flows of the Group.

In order to remain competitive in the market, the management considered to fine tune the quality of the Group’s fleet. During the year, the Group entered into agreements to acquire three vessels and took delivery of five vessels including two vessels which were committed to acquire in December 2021. In addition, the Group entered into a charterparty with a third party in respect of leasing of a vessel for a term of seven years, which was delivered to the Group in June 2022. During the year, the Group also entered into agreements to dispose of five vessels which were delivered to their respective purchasers in the year and recognized a total net gain of HK\$43,961,000. In face of the increasing uncertainties from the external environment, the Group will continue to stay alert to any unforeseen changes to the market and carry out any investment decisions cautiously, with a view to create sustainable return to shareholders in long term. As at 31 December 2022, the Group owned twenty four grabs fitted Supramaxes and had one chartered-in Panamax.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.02 per share for the year ended 31 December 2022. As there is no interim dividend payable during the year, the proposed final dividend as mentioned above, if approved, will bring the total dividends for 2022 to HK\$0.02 per share.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company scheduled on Tuesday, 30 May 2023 and the final dividend warrant is expected to be despatched to the shareholders of the Company on Thursday, 29 June 2023.

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.

Year 2022 was a challenging year for dry bulk shipping market. In the first half of 2022, dry bulk shipping market showed strong sign of rebound amid global economic recovery. With the recovery of the pandemic across different countries around the world and the gradual release from lock-downs, there was a strong rebound of market freight rates driven by robust demand for dry bulk commodities, limited supply of vessels and COVID-19 related congestion, despite the simultaneous occurrence of multiple geo-political issues. Dry bulk shipping market sentiment was changed during the second half of 2022. The freight rates had been softened gradually since the third quarter of 2022 due to the increase in interest rates imposed by various central banks, higher inflation, congestion related to COVID-19 ease globally, ongoing of multiple geo-political issues. Dry bulk shipping market endured a slump during the fourth quarter of 2022. The demand for dry bulk commodities was weak due to the slowdown of global economic growth as a result of high inflation and increase in interest rates, the COVID-19 related issues as well as multiple geo-political issues that dampened economic activities globally. A further downward correction in the market freight rates was continued in the fourth quarter of 2022. Baltic Dry Index (“BDI”) opened at 2,217 points in January and rose to the peak at 3,369 points in May and closed at 1,515 points by the end of December 2022. The average of BDI for the year 2022 was 1,934 points, which compares to 2,943 points in 2021.

Average daily time charter equivalent rates (“TCE”)	2022	2021
	US\$	US\$
Post-Panamax / Panamax fleet	20,180	19,116
Supramax fleet	18,681	19,247
In average	18,813	19,233

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from chartering freight and hire for the year 2022 increased 16% to HK\$1,189,232,000, comparing to HK\$1,022,335,000 for the year 2021 due to the remarkable rebound of market freight rates driven by robust demand for dry bulk commodities worldwide and the increase in number of owned and chartered-in vessels as compared to the year 2021. However, there was a downward correction in market freight rates during the second half of 2022. The average daily TCE earned by the Group's fleet decreased 2% to US\$18,813 (approximately HK\$147,000) for the year 2022 as compared to US\$19,233 (approximately HK\$150,000) for the year 2021. The Company recorded a consolidated net loss of HK\$70,179,000 for the year 2022 which included a net impairment loss of HK\$384,742,000 on owned vessels, as compared to the consolidated net profit of HK\$1,498,072,000 which included a reversal of impairment loss of HK\$1,042,129,000 on owned vessels for the year 2021. Basic loss per share for the year was HK\$0.086 as compared to basic earnings per share of HK\$1.559 for the year 2021.

Key Performance Indicators for Shipping Business	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Average daily TCE	147	150
Daily vessel running cost	44	36
Daily vessel depreciation	32	20
Daily vessel finance cost	1	1
	77	57
Average utilization rate	96%	96%

Daily vessel running cost increased to US\$5,656 (approximately HK\$44,000) for the year 2022 as compare to US\$4,624 (approximately HK\$36,000) for the year 2021 due to the increased crew costs and other pandemic related manning expenses. Daily vessel depreciation increased from US\$2,587 (approximately HK\$20,000) for the year 2021 to US\$4,074 (approximately HK\$32,000) for the year 2022 mainly due to the combination effects on the increase in carrying amounts of the owned vessels after the recognition of the reversal of impairment loss on owned vessels in 2021, the delivery of acquired owned vessels and the increment in capitalized drydocking costs incurred under the regular drydocking schedule. Daily vessel finance cost decreased 4% from US\$161 (approximately HK\$1,000) for the year 2021 to US\$155 (approximately HK\$1,000) for the year 2022 due to the reduction in vessel mortgage loans as compared with that of the year 2021. Fleet utilization rate was 96% for both the years of 2022 and 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 31 December 2022, the Group had twenty four owned vessels and one chartered-in vessel as follows:

	Number of vessels		
	Owned	Chartered-in	Total
Panamax fleet	-	1	1
Supramax fleet	24	-	24
Total fleet	24	1	25

In order to remain competitive in the market, the management considered to fine tune the quality of the Group's fleet. During the year, the Group entered into agreements to dispose, acquire and charter-in vessels with a view to maintain a high financial flexibility and operational competitiveness.

In December 2021, the Group entered into two agreements in respect of the acquisition of two Supramaxes each at a consideration of US\$17,250,000 (approximately HK\$134,550,000) and the total consideration of the two vessels is US\$34,500,000 (approximately HK\$269,100,000). The first vessel is deadweight 56,361 metric tons and the second vessel is deadweight 56,469 metric tons. Both vessels were delivered to the Group during the first quarter of 2022.

During the first quarter of 2022, the Group entered into two agreements to dispose of two Supramaxes of deadweight 53,806 and 50,259 metric tons respectively at total consideration of US\$17,750,000 (approximately HK\$138,450,000). Both vessels were delivered to the purchasers at end of March 2022.

On 28 March 2022, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 63,485 metric tons at a purchase price of US\$25,500,000 (approximately HK\$198,900,000), which was delivered to the Group at end of July 2022.

On 20 May 2022, the Group entered into a charterparty with a third party in respect of leasing of a Panamax of deadweight 84,484 metric tons, built in year 2022 for a term of seven years commencing on the date of delivery of the vessel to the Group. The vessel was delivered to the Group in June 2022.

On 9 September 2022, the Group entered into two agreements in respect of the acquisition of two Supramaxes each at a purchase price of US\$25,375,000 (approximately HK\$197,925,000) and the total purchase price of the two vessels is US\$50,750,000 (approximately HK\$395,850,000). The first vessel is deadweight 63,518 metric tons and the second vessel is deadweight 63,469 metric tons. Both vessels were delivered to the Group during the fourth quarter of 2022.

During the fourth quarter of 2022, the Group entered into three agreements to dispose of two Post-Panamax vessels of deadweight 93,204 and 93,279 metric tons respectively and one Supramax of deadweight 52,050 metric tons at total consideration of US\$47,800,000 (approximately HK\$372,840,000). These vessels were delivered to the purchasers during the quarter.

MANAGEMENT DISCUSSION AND ANALYSIS

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, acquisition or charter-in 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 loss. Revenue from chartering freight and hire for the year 2022 increased 16% to HK\$1,189,232,000, comparing to HK\$1,022,335,000 for the year 2021 due to the remarkable rebound of market freight rates driven by robust demand for dry bulk commodities worldwide and the increase in number of owned and chartered-in vessels as compared to the year 2021. However, there was a downward correction in market freight rates during the second half of 2022. The average daily TCE earned by the Group's fleet decreased 2% to US\$18,813 (approximately HK\$147,000) for the year 2022 as compared to US\$19,233 (approximately HK\$150,000) for the year 2021.

The Company recorded a consolidated operating profit before depreciation and amortization of HK\$274,065,000 for the year 2022, which included a net impairment loss of HK\$384,742,000 on owned vessels, comparing to a consolidated operating profit before depreciation and amortization of HK\$1,665,218,000 for the year 2021, which included a reversal of impairment loss of HK\$1,042,129,000 on owned vessels. The net loss attributable to shareholders of the Company for the year 2022 was HK\$45,595,000, whereas net profit of HK\$826,895,000 was reported for the year 2021. Basic loss per share for the year was HK\$0.086 as compared to basic earnings per share of HK\$1.559 for the year 2021.

Net gain on disposal of owned vessels. During the year, the Group entered into five agreements to dispose of two Post-Panamaxes and three Supramaxes at total consideration of US\$65,550,000 (approximately HK\$511,290,000) with the total net gain of HK\$43,961,000 was recognized on completion of the disposal of these vessels in the year.

Other operating income. Other operating income increased from HK\$100,636,000 for the year 2021 to HK\$127,905,000 for the current year mainly due to the write-back of other payables of HK\$40,300,000 upon the termination of business relationship with a crew agent. The settled amount was agreed and finalized by both parties and hence, the Group derecognized the outstanding payable amount thereon during the year. Other operating income for the year 2022 also included dividend income of HK\$26,465,000 on investment in listed equity securities and a net gain of HK\$18,339,000 on bunker arising from shipping operations while the dividend income of HK\$13,314,000 on investment in listed equity securities and a net gain of HK\$33,492,000 on bunker arising from shipping operations were recorded in 2021.

Interest income. Interest income decreased from HK\$23,510,000 for the year 2021 to HK\$8,314,000 for the year 2022 mainly due to a drop in interest income from loan receivables as certain borrowers chose to early repay respective loans in 2021 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment loss on owned vessels. Due to subdued macroeconomic conditions in the second half of 2022, dry bulk shipping market suffered a slump particularly in the fourth quarter of 2022. The market freight rates continued to decline. This inevitably introduced volatility to the Group's business performance, as well as the carrying value of the Group's shipping assets. In view of the significant decrease in market value of dry bulk vessels in the market, the management considered that impairment indication of the Group's fleet existed at end of 2022.

With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the impairment review, certain of the Group's owned vessels' recoverable amounts which were determined based on the higher of the fair value less costs of disposal and value in use and were significantly less than their respective carrying amounts at end of 2022. Accordingly, a net impairment loss of HK\$384,742,000 on owned vessels classified in property, plant and equipment was recognized at 31 December 2022 to reflect the Group's 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 and fair value less cost of disposal of the Group's owned vessels. The impairment loss on owned vessels is non-cash in nature and does not have impact on the operating cash flows of the Group. Whereas, due to dry bulk shipping market had strengthened remarkably in 2021, the Group recognized a total reversal of impairment loss on owned vessels of HK\$1,042,129,000.

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 increased from HK\$339,493,000 for the year 2021 to HK\$520,989,000 for the current year mainly due to the inflation and the increase in number of owned vessels that led to an increase in shipping related expenses for the year. The Group's daily vessel running cost increased to US\$5,656 (approximately HK\$44,000) for the year 2022 as compared to US\$4,624 (approximately HK\$36,000) for the year 2021 due to the increased crew costs and other pandemic related manning expenses. 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 to HK\$80,391,000 for the year 2022, comparing to HK\$76,782,000 for the year 2021 due to the Group recorded a net loss of HK\$22,721,000 on financial assets at fair value through profit or loss and a fair value loss on investment properties of HK\$11,890,000 for the current year, while a net loss of HK\$16,115,000 on financial assets at fair value through profit or loss and a fair value loss on investment properties of HK\$20,380,000 were recorded in 2021. Other operating expenses for the year 2022 also included professional fee of approximately HK\$7.3 million, directors' fee of approximately HK\$6.7 million, auditor's remuneration related to audit services of approximately HK\$2.1 million and remaining are various office administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation and amortization. Depreciation and amortization increased from HK\$149,592,000 for the year 2021 to HK\$313,524,000 for the year 2022. The Group's daily vessel depreciation increased to US\$4,074 (approximately HK\$32,000) for the year 2022 as compared to US\$2,587 (approximately HK\$20,000) for the year 2021 mainly due to the combination effects on the increase in carrying amounts of the owned vessels after the recognition of the reversal of impairment loss on owned vessels in 2021, the delivery of acquired owned vessels and the increment in capitalized drydocking costs incurred under the regular drydocking schedule. Depreciation and amortization for the current year also included the recognition of depreciation on right-of-use assets of HK\$21,395,000.

Finance costs. Finance costs increased from HK\$16,070,000 for the year 2021 to HK\$30,564,000 for the year 2022. The increase was mainly attributable to the rising interest rate and the drawdown of new secured bank loans as compared with that of the year 2021.

Financial assets at fair value through profit or loss. As at 31 December 2022, the Group's portfolio of investment in financial assets at fair value through profit or loss was HK\$244,979,000 (2021: HK\$368,898,000), in which HK\$226,144,000 (2021: HK\$343,981,000) was investment in listed equity securities, HK\$10,443,000 (2021: HK\$22,516,000) was investment in listed and unlisted debt securities and HK\$8,392,000 (2021: HK\$2,401,000) was investment in investment funds.

During the year, the Group's net loss on financial assets at fair value through profit or loss was HK\$22,721,000 (2021: HK\$16,115,000), comprised of a realized gain of HK\$13,143,000 (2021: HK\$21,342,000) upon disposal of certain equity and debt securities during the year, and an unrealized fair value loss of HK\$35,864,000 (2021: HK\$37,457,000) on financial assets at fair value through profit or loss for the year 2022. The aggregate interest income and dividend income from financial assets was HK\$34,779,000 (2021: HK\$36,824,000).

Investment properties. As at 31 December 2022, the Group's investment properties were stated at fair value of HK\$373,330,000 (2021: HK\$385,220,000) 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.

Right-of-use assets and lease liabilities. During the year, the Group entered into a charterparty with a third party in respect of leasing of a Panamax of deadweight 84,484 metric tons, built in year 2022 for a term of seven years commencing on the date of delivery of the vessel to the Group. The vessel was delivered to the Group in June 2022. In accordance with HKFRS 16 Leases, the Group recognized the value of the right-of-use assets which is calculated with the present value of total minimum hire payment at the inception of the lease terms of the charterparty and corresponding lease liabilities was also recognized in the consolidated statement of financial position. The Directors consider that the lease of a Panamax newbuilding represents an opportunity for the Group to increase the carrying capacity with a modern ship at a reasonable price via means other than outright acquisition of vessels, improving the fleet profile of the Group with minimal immediate capital expenditure, bring chartering freight and hire income to the Group and enhance the Group's income and cashflow from core shipping business.

As at 31 December 2022, the carrying amounts of the right-of-use assets and the lease liabilities were HK\$226,180,000 (2021: nil) and HK\$228,823,000 (2021: nil) respectively. During the year, the total cash outflow for the lease was HK\$24,230,000 (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Loan receivables. As at 31 December 2022, the Group's loan receivables of HK\$10,475,000 (2021: HK\$4,434,000) which arise from co-investment, are unsecured and denominated in United States Dollars and has no fixed repayment terms. Whereas, the loan receivables that arise from asset-based financing which are denominated in United States Dollars and secured by collaterals provided by the borrowers, and are repayable with fixed terms agreed with the borrowers, were early repaid in full by the borrowers during the year and such repayments led to a decrease in loan receivables. At the reporting date, no loan receivables arise from asset-based financing (2021: HK\$67,607,000) was recorded. At the reporting date, the loan receivables have been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness, collection statistics and the net asset value of the co-investment, and are not considered as impaired. The carrying amount of the loan receivables is considered to be a reasonable approximation of its fair value.

Trade and other payables. As at 31 December 2022, the Group's trade and other payables was HK\$117,672,000 (2021: HK\$180,048,000), including trade payables of HK\$1,333,000 (2021: HK\$1,212,000), accrued charges of HK\$13,649,000 (2021: HK\$9,408,000) and other payables of HK\$102,690,000 (2021: HK\$169,428,000). Other payables mainly included payables related to vessel running cost and ship operating expenses of HK\$78,607,000 (2021: HK\$143,761,000) for owned vessels, hire receipt in advance of HK\$6,813,000 (2021: HK\$10,561,000) from charterers, loan interest payables of HK\$1,612,000 (2021: HK\$1,034,000) and accrued employee benefits payables of HK\$13,340,000 (2021: HK\$12,092,000). The decrease in payables related to vessel running cost and ship operating expenses was mainly due to the write-back of other payables of HK\$40,300,000 upon the termination of business relationship with a crew agent. The settled amount was agreed and finalized by both parties and hence, the Group derecognized the outstanding payable amount thereon during the year.

Liquidity, financial resources and capital structure. As at 31 December 2022, the Group maintained positive working capital position of HK\$210,311,000 (2021: HK\$233,954,000) and the total of the Group's equity and debt securities, bank balances and cash decreased to HK\$515,672,000 (2021: HK\$635,672,000). During the year, cash generated from operations before changes in working capital was HK\$579,590,000 (2021: HK\$590,618,000) and the net cash generated from operating activities after working capital changes was HK\$691,851,000 (2021: HK\$685,857,000). The changes in working capital are mainly attributable to the decrease in equity and debt securities, and decrease in loan receivables due to certain borrowers chose to early repay respective loans in full in the year.

The Group's total secured bank loans decreased from HK\$860,436,000 as at 31 December 2021 to HK\$769,730,000 as at 31 December 2022, of which 47%, 20% and 33% are repayable respectively within one year, one to two years and two to five years. During the year, the Group had drawn new revolving loan and term loan of HK\$521,500,000 (2021: HK\$97,939,000) and repaid HK\$612,206,000 (2021: HK\$223,677,000). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, slightly increased to 8% (2021: 6%) as at 31 December 2022. 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 2022, the Group is able to service its debt obligations, including principal and interest payments.

Pledge of assets. As at 31 December 2022, the Group's property, plant and equipment with an aggregate net book value of HK\$1,716,958,000 (2021: HK\$2,424,220,000), investment properties with an aggregate carrying amount of HK\$333,190,000 (2021: HK\$344,100,000), financial assets at fair value through profit or loss of HK\$131,387,000 (2021: HK\$172,929,000) and deposits of HK\$3,465,000 (2021: HK\$64,792,000) placed with banks were pledged together with the assignment of fourteen (2021: nineteen) subsidiaries' income to secure credit facilities utilized by the Group. An assignment of two subsidiaries' loan receivables of HK\$36,407,000 was also pledged as at 31 December 2021. In addition, shares of eight (2021: ten) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

Capital expenditures and commitments. During the year, capital expenditure on additions of motor vessels and capitalized drydocking costs was HK\$1,095,764,000 (2021: HK\$633,604,000) and on other property, plant and equipment was HK\$945,000 (2021: HK\$506,000).

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 (2021: US\$372,000, approximately HK\$2,905,000).

In December 2021, the Group entered into two agreements in respect of the acquisition of two Supramaxes each at a consideration of US\$17,250,000, approximately HK\$134,550,000 and the total consideration of the two vessels is US\$34,500,000, approximately HK\$269,100,000. The first vessel is deadweight 56,361 metric tons and the second vessel is deadweight 56,469 metric tons. Both vessels were delivered to the Group during the first quarter of 2022. As at 31 December 2021, the capital expenditure commitments contracted by the Group but not provided for was US\$34,500,000, approximately HK\$269,100,000.

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for was US\$372,000, approximately HK\$2,905,000 (2021: US\$34,872,000, approximately HK\$272,005,000).

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

MATERIAL TRANSACTIONS AND SIGNIFICANT INVESTMENTS

In order to remain competitive in the market, the management considered to fine tune the quality of the Group's fleet. During the year, the Group entered into agreements to dispose, acquire and charter-in vessels with a view to maintain a high financial flexibility and operational competitiveness.

Acquisition and disposal of vessels

On 8 March 2022, the Group entered into an agreement in respect of the disposal of a Supramax of deadweight 53,806 metric tons, built in year 2004, at a consideration of US\$13,900,000 (approximately HK\$108,420,000), which was delivered to the purchaser at end of March 2022.

On 28 March 2022, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 63,485 metric tons, built in year 2014, at a purchase price of US\$25,500,000 (approximately HK\$198,900,000), which was delivered to the Group at end of July 2022.

On 9 September 2022, the Group entered into two agreements in respect of the acquisition of two Supramaxes, each at a purchase price of US\$25,375,000 (approximately HK\$197,925,000) and the total purchase price of the two vessels is US\$50,750,000 (approximately HK\$395,850,000). The first vessel is deadweight 63,518 metric tons and the second vessel is deadweight 63,469 metric tons. Both vessels built in year 2014 and were delivered to the Group during the fourth quarter of 2022.

On 18 October 2022, the Group entered into two agreements in respect of the disposal of two Post-Panamaxes of deadweight 93,204 and 93,279 metric tons respectively, each at a consideration of US\$17,250,000 (approximately HK\$134,550,000) and the total consideration of the two vessels is US\$34,500,000 (approximately HK\$269,100,000). Both vessels built in year 2010 and were delivered to the purchasers in mid of November 2022.

On 24 October 2022, the Group entered into an agreement in respect of the disposal of a Supramax of deadweight 52,050 metric tons, built in year 2004, at a consideration of US\$13,300,000 (approximately HK\$103,740,000), which was delivered to the purchaser in early December 2022.

As at 31 December 2022, the Group owned twenty-four grabs fitted Supramaxes, and had one chartered-in Panamax. The total carrying capacity of the Group's owned vessels was 1,373,222 metric tons as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Lease of vessel

On 20 May 2022, the Group entered into a charterparty with a third party in respect of leasing of a Panamax of deadweight 84,484 metric tons, built in year 2022 for a term of seven years commencing on the date of delivery of the vessel to the Group. The vessel was delivered to the Group in June 2022. In accordance with HKFRS 16 Leases, the Group recognized the value of the right-of-use assets which is calculated with the present value of total minimum hire payment at the inception of the lease terms of the charterparty and corresponding lease liabilities was also recognized in the consolidated statement of financial position. The Directors consider that the lease of a Panamax newbuilding represents an opportunity for the Group to increase the carrying capacity with a modern ship at a reasonable price via means other than outright acquisition of vessels, improving the fleet profile of the Group with minimal immediate capital expenditure, bring chartering freight and hire income to the Group and enhance the Group's income and cashflow from core shipping business.

Significant investments held

As at 31 December 2022, the Group had investments in equity and debt securities with fair value of HK\$226,144,000 and HK\$10,443,000 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 31 December 2022, the fair value of each of these equity securities and debt securities represented less than 5% of the total assets of the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group pursues a policy of gender equality. As at 31 December 2022, the Group had 65 (2021: 64) full-time employees, of whom 35 (2021: 34) employees were male and 30 (2021: 30) employees were female. 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. Bonuses are also offered 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

OUTLOOK

2022 was overall a good year for shipping, with the freight environment being steadily driven by a general robust demand for commodities worldwide. As discussed before, volatility is expected given any changes in monetary policies or material geo-political issues will affect business sentiment, or in some cases business practices or trade patterns will be affected. Shipping will not be shipping without a good dose of volatility. 2023 turns out to be very different so far.

There has been a general slowdown in economic activities since second half of 2022, primarily driven by the interest rate outlook which translates to increasing borrowing costs and correction of risk assets values, as well as a general expectation of a slower global economic growth going forward given geopolitical conflicts at multi frontiers. Freight rates of dry bulk shipping has been weakening as a result which has carried on since 2023 began.

When we look purely at the industry fundamentals, the supply of new vessels remain low. However, demand for commodities has become increasingly uncertain where worries over the economic growth in 2023 persistently linger over all industries. Transportation of certain commodities will undergo profound and complex changes given the variables that affect our business are a combination of industry specific, economical, as well as geopolitically driven.

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. Looking ahead, should signs of economic recovery gains momentum, our fleet will be well positioned to benefit.

MANAGEMENT DISCUSSION AND ANALYSIS

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. In light of the expected slowdown in global economic growth as well as a weakening freight market, we have decided to revalue downwards the value of our fleet. 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 our 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, 17 March 2023

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 year ended 31 December 2022, with deviations as explained in following sections.

CG Code provision B.2.2

Under code provision B.2.2 of the CG Code, 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 of the Company (the “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 B.2.2 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.2.1

Under code provision C.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 C.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.

CORPORATE GOVERNANCE

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 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 D.2.5

Under code provision D.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 2022.

CORPORATE GOVERNANCE

SCOPE OF WORK OF THE AUDITOR

The figures in the results announcement of the Group for the year ended 31 December 2022 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 annual consolidated financial statements for the year ended 31 December 2022 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.

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 year.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Tuesday, 30 May 2023 (the "2023 AGM"). 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.

SUPPLEMENTARY INFORMATION

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2023 AGM, and entitlement to the proposed final dividend, the Company's Register of Members will be closed as set out below:

(i) For determining eligibility to attend and vote at the 2023 AGM:

- Latest time to lodge transfer documents for registration with the Company's share registrar At 4:30 p.m. on 23 May 2023
- Closure of Register of Members 24 May 2023 to 30 May 2023
(both days inclusive)
- Record date 30 May 2023

(ii) For determining entitlement to the final dividend:

- Ex-dividend date 1 June 2023
- Latest time to lodge transfer documents for registration with the Company's share registrar At 4:30 p.m. on 2 June 2023
- Closure of Register of Members 5 June 2023 to 7 June 2023
(both days inclusive)
- Record date 7 June 2023

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2023 AGM, and to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than the aforementioned latest time. Subject to the approval by the shareholders at the 2023 AGM, the final dividend warrant is expected to be despatched to the shareholders of the Company on Thursday, 29 June 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	2	1,189,232	1,022,335
Net gain on disposal of owned vessels	3	43,961	-
Other operating income	4	127,905	100,636
Interest income	5	8,314	23,510
Reversal of impairment loss (Impairment loss) on owned vessels, net	6	(384,742)	1,042,129
Shipping related expenses		(520,989)	(339,493)
Staff costs		(109,225)	(107,117)
Other operating expenses	7	(80,391)	(76,782)
Operating profit before depreciation and amortization	8	274,065	1,665,218
Depreciation and amortization		(313,524)	(149,592)
Operating profit (loss)		(39,459)	1,515,626
Finance costs		(30,564)	(16,070)
Profit (Loss) before taxation		(70,023)	1,499,556
Taxation	9	(156)	(1,484)
Net profit (loss) for the year		(70,179)	1,498,072
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)		(22,315)	14,695
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through OCI (recycling)		(292)	2,372
Total comprehensive income (loss) for the year		(92,786)	1,515,139

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Net profit (loss) for the year attributable to:			
Shareholders of the Company		(45,595)	826,895
Non-controlling interests		(24,584)	671,177
		(70,179)	1,498,072
Total comprehensive income (loss) for the year attributable to:			
Shareholders of the Company		(58,184)	837,064
Non-controlling interests		(34,602)	678,075
		(92,786)	1,515,139
Earnings (Loss) per share			
Basic and diluted	10	HK\$(0.086)	HK\$1.559

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,015,688	3,056,304
Right-of-use assets	12(i)	226,180	-
Investment properties	13	373,330	385,220
Financial assets at fair value through OCI	14	98,752	121,359
Loan receivables	15	-	28,841
Intangible assets		844	888
		3,714,794	3,592,612
Current assets			
Inventories		23,336	26,623
Loan receivables	15	10,475	43,200
Trade and other receivables	16	157,887	156,911
Financial assets at fair value through profit or loss	17	244,979	368,898
Tax recoverable		1,328	-
Pledged deposits		3,465	64,792
Bank balances and cash		279,085	269,175
		720,555	929,599
Current liabilities			
Trade and other payables	18	117,672	180,048
Taxation payable		-	234
Secured bank loans	19	360,025	515,363
Lease liabilities	12(ii)	32,547	-
		510,244	695,645
Net current assets		210,311	233,954
Total assets less current liabilities		3,925,105	3,826,566
Non-current liabilities			
Secured bank loans	19	409,705	345,073
Lease liabilities	12(ii)	196,276	-
		605,981	345,073
Net assets		3,319,124	3,481,493

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	2022	2021
	HK\$'000	HK\$'000
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	381,639	381,639
Reserves	1,503,149	1,593,150
	1,884,788	1,974,789
Non-controlling interests	1,434,336	1,506,704
Total equity	3,319,124	3,481,493

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to shareholders of the Company						
	Issued capital HK\$'000	Other asset revaluation reserve 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 2021	381,639	3,806	16,380	735,900	1,137,725	839,959	1,977,684
Comprehensive income							
Net profit for the year	-	-	-	826,895	826,895	671,177	1,498,072
Other comprehensive income							
Change in fair value of financial assets at fair value through OCI	-	-	10,169	-	10,169	6,898	17,067
Total comprehensive income for the year	-	-	10,169	826,895	837,064	678,075	1,515,139
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	(11,330)	(11,330)
At 31 December 2021	381,639	3,806	26,549	1,562,795	1,974,789	1,506,704	3,481,493
At 1 January 2022	381,639	3,806	26,549	1,562,795	1,974,789	1,506,704	3,481,493
Comprehensive loss							
Net loss for the year	-	-	-	(45,595)	(45,595)	(24,584)	(70,179)
Other comprehensive loss							
Change in fair value of financial assets at fair value through OCI	-	-	(12,589)	-	(12,589)	(10,018)	(22,607)
Total comprehensive loss for the year	-	-	(12,589)	(45,595)	(58,184)	(34,602)	(92,786)
Final dividend paid	-	-	-	(31,817)	(31,817)	-	(31,817)
Dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	(37,766)	(37,766)
At 31 December 2022	381,639	3,806	13,960	1,485,383	1,884,788	1,434,336	3,319,124

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
OPERATING ACTIVITIES		
Cash generated from operations before changes in working capital	579,590	590,618
Decrease in working capital	138,487	114,691
Cash generated from operations	718,077	705,309
Interest paid	(24,508)	(16,386)
Hong Kong Profits Tax paid	(1,718)	(3,066)
Net cash from operating activities	691,851	685,857
INVESTING ACTIVITIES		
Interest received	7,084	26,650
Dividend income received	26,465	13,105
Purchase of property, plant and equipment	(1,096,709)	(634,110)
Proceeds from disposal of property, plant and equipment, net	504,411	6,823
Proceeds from disposal of assets held for sale, net	-	41,964
Net cash used in investing activities	(558,749)	(545,568)
FINANCING ACTIVITIES		
New secured bank loans	521,500	97,939
Repayment of secured bank loans	(612,206)	(223,677)
Decrease (Increase) in pledged deposits	61,327	(18,453)
Payment of lease liabilities	(18,752)	-
Interest paid on lease liabilities	(5,478)	-
Dividends paid to non-controlling interests by subsidiaries	(37,766)	(11,330)
Final dividend paid to shareholders of the Company	(31,817)	-
Net cash used in financing activities	(123,192)	(155,521)
Net increase (decrease) in cash and cash equivalents	9,910	(15,232)
Cash and cash equivalents at 1 January	269,175	284,407
Cash and cash equivalents at 31 December	279,085	269,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The financial information relating to the years ended 31 December 2022 and 2021 and included in this announcement of 2022 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 2021 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 2022 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 consolidated financial statements are consistent with those adopted in the annual consolidated financial statements for the year ended 31 December 2021, except for the Group has adopted HKFRS 16 Leases (see details below) and the amended HKFRS, which are effective for the annual period beginning on 1 January 2022. 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.

In accordance with HKFRS 16 Leases, the Group recognized the right-of-use assets and lease liabilities on the consolidated statement of financial position at the commencement of the lease. The right-of-use assets are measured at cost, which is made up of the amount of the initial measurement of the lease liability, any initial direct costs incurred and any lease payments made in advance of the lease commencement date (net of any lease incentives received). The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to testing for impairment if there is an indicator of impairment, as for owned assets.

NOTES TO THE CONSOLIDATED 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 year is as follows:

	2022 HK\$'000	2021 HK\$'000
Chartering freight and hire income:		
Hire income under time charters ¹	1,189,232	1,022,335

Note:

- 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. Hire income included a non-lease component in relation to crewing service of HK\$295,725,000 (2021: HK\$181,815,000).

3. Net gain on disposal of owned vessels

During the year, the Group entered into five agreements to dispose of two Post-Panamaxes and three Supramaxes at total consideration of US\$65,550,000 (approximately HK\$511,290,000) with the total net gain of HK\$43,961,000 was recognized on completion of the disposal of these vessels in the year.

4. Other operating income

	2022 HK\$'000	2021 HK\$'000
Net gain on bunker arising from shipping operations	18,339	33,492
Write-back of other payables ¹	40,300	-
Other shipping operating income	20,655	27,665
Gross rental income from operating leases on investment properties	7,771	6,591
Dividend income	26,465	13,314
Net gain on disposal of property, plant and equipment, other than motor vessels	-	2,164
Reversal of impairment loss on trade and other receivables, net	12,639	13,933
Compensation income in relation to loan receivables	-	3,418
COVID-19 related government subsidies	1,608	-
Sundry income	128	59
	127,905	100,636

Note:

- Write-back of other payables of HK\$40,300,000 upon the termination of business relationship with a crew agent. The settled amount was agreed and finalized by both parties and hence, the Group derecognized the outstanding payable amount thereon during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Interest income

	2022 HK\$'000	2021 HK\$'000
Interest income in respect of:		
Financial assets at fair value through profit or loss	1,007	8,765
Deposits with banks and other financial institutions	947	185
Loan receivables	6,360	14,560
	8,314	23,510

6. Reversal of impairment loss (Impairment loss) on owned vessels, net

In the first half of 2022, dry bulk shipping market showed strong sign of rebound amid global economic recovery. However, dry bulk shipping market endured a slump during the fourth quarter of 2022. The demand for dry bulk commodities was weak due to the slowdown of global economic growth as a result of high inflation and increase in interest rates, the COVID-19 related issues as well as multiple geo-political issues that dampened economic activities globally. A further downward correction in the market freight rates was continued in the fourth quarter of 2022. This inevitably introduced volatility to the Group's business performance, as well as the carrying value of the Group's shipping assets. In view of the significant decrease in market value of dry bulk vessels in the market, the management considered that impairment indication of the Group's fleet existed at end of 2022.

With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the impairment review, certain of the Group's owned vessels' recoverable amounts which were determined based on the higher of the fair value less costs of disposal and value in use and were significantly less than their respective carrying amounts at end of 2022. Those vessels with carrying amount of HK\$1,549,003,000 is estimated based on the value in use using 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. Other assumptions applied in the estimated future cash flows projections included the first five-year period 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 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 an average of 1% (2021: 1%) 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 10.5% (2021: 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. Other assumptions included utilization rate which is assumed to be 95% (2021: 95%) in all subsequent years; and vessels are expected to have useful life of 25 (2021: 25) years from the date of the initial delivery from the shipyards. The net cash flow also reflected the estimated drydocking and special surveys costs and vessels operating expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Remaining certain owned vessels with carrying amount of HK\$1,378,611,000 are determined based on fair value less cost of disposal under market comparison approach and such measurement of these owned vessels was categorized as Level 2 of the three-level fair value hierarchy as defined under HKFRS 13. Key assumptions applied in fair value less cost of disposal mainly included quoted transactions of similar vessels which is most sensitive. Other assumptions and estimated cost of disposal of these vessels are based on the Group's historical acquisition and disposal transactions of its fleets.

Accordingly, a net impairment loss of HK\$384,742,000 on owned vessels classified in property, plant and equipment was recognized at 31 December 2022 to reflect the Group's 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 and fair value less cost of disposal of the Group's owned vessels. The impairment loss on owned vessels is non-cash in nature and does not have impact on the operating cash flows of the Group.

In 2021, the Group recognized a reversal of impairment loss of HK\$511,068,000 on owned vessels classified in property, plant and equipment at 30 June 2021 and a further reversal of impairment loss of HK\$531,061,000 on owned vessels at 31 December 2021 to reflect the Group's 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 the Group's owned vessels. The total reversal of impairment loss on owned vessels recognized in 2021 was HK\$1,042,129,000. The reversal of impairment loss on owned vessels is non-cash in nature and does not have impact on the operating cash flows of the Group.

7. Other operating expenses

Other operating expenses for the year 2022 mainly included net loss on financial assets at fair value through profit or loss of approximately HK\$22.7 million, change in fair value of investment properties of approximately HK\$11.9 million, professional fee of approximately HK\$7.3 million, directors' fee of approximately HK\$6.7 million, auditor's remuneration related to audit services of approximately HK\$2.1 million and remaining are various office administrative expenses.

Other operating expenses for the year 2021 mainly included net loss on financial assets at fair value through profit or loss of approximately HK\$16.1 million, change in fair value of investment properties of approximately HK\$20.4 million, directors' fee of approximately HK\$6.7 million, professional fee of approximately HK\$5.7 million, auditor's remuneration related to audit services of approximately HK\$2 million and remaining are various office administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Operating profit before depreciation and amortization

This is stated after charging / (crediting):

	2022 HK\$'000	2021 HK\$'000
Realized gain on financial assets at fair value through profit or loss	(13,143)	(21,342)
Unrealized loss on financial assets at fair value through profit or loss	35,864	37,457
Net loss on financial assets at fair value through profit or loss	22,721	16,115
Net gain on disposal of owned vessels	(43,961)	-
Change in fair value of investment properties	11,890	20,380
Net gain on disposal of property, plant and equipment, other than motor vessels	-	(2,164)
Impairment loss (Reversal of impairment loss) on owned vessels, net	384,742	(1,042,129)
Reversal of impairment loss on trade and other receivables, net	(12,639)	(13,933)
Dividend income	(26,465)	(13,314)
Bad debts written off in respect of trade and other receivables	224	55

9. 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.

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

	2022 HK\$'000	2021 HK\$'000
Hong Kong Profits Tax	156	1,484

10. Earnings (Loss) per share

Basic and diluted earnings (loss) per share were calculated on the net loss attributable to shareholders of the Company of HK\$45,595,000 for the year 2022 (2021: net profit of HK\$826,895,000) and the weighted average number of 530,289,480 (2021: 530,289,480) ordinary shares in issue during the year.

Diluted earnings (loss) per share for the years 2022 and 2021 were the same as basic earnings (loss) per share as there was no potentially dilutive ordinary shares in existence for the years 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Dividends

	2022 HK\$'000	2021 HK\$'000
2021 final dividend of HK\$0.06 per share	-	31,817
2022 final dividend, proposed of HK\$0.02 per share	10,606	-
	10,606	31,817

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company scheduled on Tuesday, 30 May 2023. The amount of the final dividend proposed, which was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements, has not been recognized as a liability in the consolidated financial statements.

12. Leases

(i) Right-of-use assets

	2022 HK\$'000	2021 HK\$'000
At 1 January	-	-
Additions	340,064	-
Lease remeasurement	(92,489)	-
Depreciation	(21,395)	-
	226,180	-

(ii) Lease liabilities

	2022 HK\$'000	2021 HK\$'000
At 1 January	-	-
Additions	340,064	-
Lease remeasurement	(92,489)	-
Interest expense (included in finance costs)	5,478	-
Repayments of lease liabilities	(24,230)	-
	228,823	-

At 31 December 2022, the lease liabilities were repayable as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	32,547	-
After one year but within two years	34,091	-
After two years but within five years	111,350	-
After five years	50,835	-
	196,276	-
	228,823	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 20 May 2022, the Group entered into a charterparty with a third party in respect of leasing of a Panamax of deadweight 84,484 metric tons, built in year 2022 for a term of seven years commencing on the date of delivery of the vessel to the Group. The vessel was delivered to the Group in June 2022. In accordance with HKFRS 16 Leases, the Group recognized the value of the right-of-use assets which is calculated with the present value of total minimum hire payment at the inception of the lease terms of the charterparty and corresponding lease liabilities was also recognized.

During the year, the total cash outflow for the lease was HK\$24,230,000 (2021: nil).

As at 31 December 2022, an impairment assessment of right-of-use assets was performed and no impairment loss was recognized during the year.

13. Investment properties

	2022 HK\$'000	2021 HK\$'000
At 1 January	385,220	405,600
Change in fair value	(11,890)	(20,380)
	373,330	385,220

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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Financial assets at fair value through OCI

	2022	2021
	HK\$'000	HK\$'000
Unlisted equity investments		
Co-investment in a property project		
At 1 January	95,604	80,909
Change in fair value ¹	(22,315)	14,695
	73,289	95,604
Unlisted club debentures		
At 1 January	22,000	20,500
Change in fair value ²	-	1,500
	22,000	22,000
Unlisted club membership		
At 1 January	3,755	2,883
Change in fair value ²	(292)	872
	3,463	3,755
	98,752	121,359

Notes:

- Items that will not be reclassified to profit or loss.
- Items that may be reclassified subsequently to profit or loss.
- In March 2021, an approximately 55.69% indirectly owned subsidiary of the Company (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 Limited ("Dual Bliss"), for the purposes of funding the operating expenditure of Tower A of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC (the "Tower A" or previously named as "T3 Property") and the Co-Investor agreed to provide a maximum amount of advance up to US\$1,577,000 (approximately HK\$12,300,000). At the reporting date, advance of US\$1,342,000, approximately HK\$10,475,000 (2021: US\$568,000, approximately HK\$4,434,000) was drawdown and the amount was included in note 15 loan receivables.

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 (2021: US\$372,000, approximately HK\$2,905,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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 year.

15. Loan receivables

	2022 HK\$'000	2021 HK\$'000
At 1 January	72,041	260,192
Gross new loan originated	6,041	4,434
Repayment	(67,607)	(192,585)
Provision of individual impairment	-	-
Loan receivables, net of provision	10,475	72,041
Less: Amount receivable within one year	(10,475)	(43,200)
Amount receivable after one year	-	28,841

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

	2022 HK\$'000	2021 HK\$'000
Within one year	10,475	43,200
In the second year	-	5,191
In the third to fifth year	-	23,650
	10,475	72,041

At the reporting date, the Group's loan receivables of HK\$10,475,000 (2021: HK\$4,434,000) which arise from co-investment (as mentioned in note 14), are unsecured and denominated in United States Dollars and has no fixed repayment terms. Whereas, the loan receivables that arise from asset-based financing which are denominated in United States Dollars and secured by collaterals provided by the borrowers, and are repayable with fixed terms agreed with the borrowers, were early repaid in full by the borrowers during the year and such repayments led to a decrease in loan receivables. At the reporting date, no loan receivables arise from asset-based financing (2021: HK\$67,607,000) was recorded.

At the reporting date, the loan receivables have been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness, collection statistics and the net asset value of the co-investment, and are not considered as impaired. The carrying amount of the loan receivables is considered to be a reasonable approximation of its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Trade and other receivables

	2022 HK\$'000	2021 HK\$'000
Trade receivables	10,564	17,123
Prepayments	19,236	33,303
Rental and other deposits	768	697
Other receivables	127,319	105,788
	147,323	139,788
	157,887	156,911

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

	2022 HK\$'000	2021 HK\$'000
Within three months	6,961	17,123
Over three months but within six months	1,099	-
Over six months but within twelve months	2,504	-
	10,564	17,123

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 CONSOLIDATED FINANCIAL STATEMENTS

17. Financial assets at fair value through profit or loss

	2022 HK\$'000	2021 HK\$'000
<i>Held for trading</i>		
Equity securities		
Listed in Hong Kong	155,031	254,697
Listed outside Hong Kong	71,113	89,284
	226,144	343,981
Debt securities		
Listed in Hong Kong	4,471	15,206
Listed outside Hong Kong	3,728	7,310
Unlisted	2,244	-
	10,443	22,516
<i>Designated as such upon initial recognition</i>		
Investment funds	8,392	2,401
	244,979	368,898

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 institutions 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 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Trade and other payables

	2022 HK\$'000	2021 HK\$'000
Trade payables	1,333	1,212
Accrued charges	13,649	9,408
Other payables		
Payables related to vessel running cost and ship operating expenses	78,607	143,761
Hire receipt in advance	6,813	10,561
Loan interest payables	1,612	1,034
Accrued employee benefits	13,340	12,092
Others	2,318	1,980
	102,690	169,428
	117,672	180,048

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

	2022 HK\$'000	2021 HK\$'000
Within three months	527	289
Over twelve months	806	923
	1,333	1,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Secured bank loans

	2022 HK\$'000	2021 HK\$'000
Vessel mortgage loans	206,456	358,112
Other bank loans	563,274	502,324
Total secured bank loans	769,730	860,436
Less: Amount repayable within one year	(360,025)	(515,363)
Amount repayable after one year	409,705	345,073

During the year, the Group had drawn new secured bank loans of HK\$521,500,000 (2021: HK\$97,939,000) and repaid HK\$612,206,000 (2021: HK\$223,677,000).

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.

20. Capital expenditures and commitments

During the year, capital expenditure on additions of motor vessels and capitalized drydocking costs was HK\$1,095,764,000 (2021: HK\$633,604,000) and on other property, plant and equipment was HK\$945,000 (2021: HK\$506,000).

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 (2021: US\$372,000, approximately HK\$2,905,000).

In December 2021, the Group entered into two agreements in respect of the acquisition of two Supramaxes each at a consideration of US\$17,250,000, approximately HK\$134,550,000 and the total consideration of the two vessels is US\$34,500,000, approximately HK\$269,100,000. The first vessel is deadweight 56,361 metric tons and the second vessel is deadweight 56,469 metric tons. Both vessels were delivered to the Group during the first quarter of 2022. As at 31 December 2021, the capital expenditure commitments contracted by the Group but not provided for was US\$34,500,000, approximately HK\$269,100,000.

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for was US\$372,000, approximately HK\$2,905,000 (2021: US\$34,872,000, approximately HK\$272,005,000).

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 CONSOLIDATED FINANCIAL STATEMENTS

21. Related party transactions

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Salaries and other benefits	75,843	75,626
Contributions to retirement benefits schemes	3,546	3,543
	79,389	79,169

Other payables included accrued employee benefits payables to directors and senior management of HK\$9,471,000 (2021: HK\$9,381,000). 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".

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Company for the year ended 31 December 2022 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.