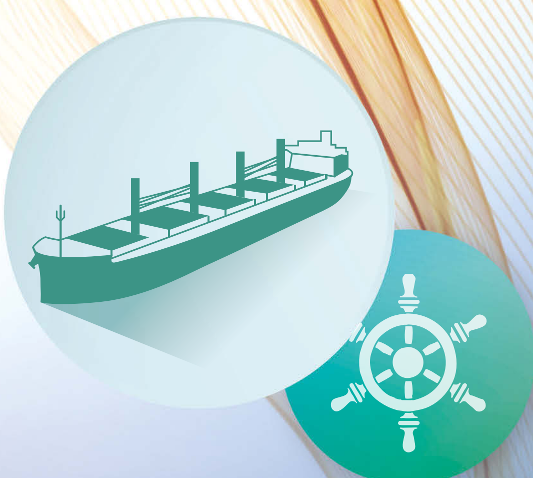
ANNUAL REPORT 2017

JINHUI

JINHUI HOLDINGS COMPANY LIMITED

Stock Code: 137



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ng Siu Fai, *Chairman*
Ng Kam Wah Thomas, *Managing Director*
Ng Ki Hung Frankie
Ho Suk Lin

Independent Non-executive Directors

Cui Jianhua
Tsui Che Yin Frank
William Yau

AUDIT COMMITTEE

Tsui Che Yin Frank, *Chairman*
Cui Jianhua
William Yau

REMUNERATION COMMITTEE

Cui Jianhua, *Chairman*
Tsui Che Yin Frank
William Yau

NOMINATION COMMITTEE

Cui Jianhua, *Chairman*
Tsui Che Yin Frank
William Yau

COMPANY SECRETARY

Ho Suk Lin

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants

SHARE LISTING

The Company's shares are listed on
the Hong Kong Stock Exchange
(stock code: 137)

PRINCIPAL BANKERS

Commerzbank Aktiengesellschaft
Credit Suisse AG
HSH Nordbank AG
The Hongkong and Shanghai Banking
Corporation Limited
United Overseas Bank Limited

SHARE REGISTRAR

Tricor Standard Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

26th Floor
Yardley Commercial Building
1-6 Connaught Road West
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WEBSITE

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Chairman's Statement

The Board is pleased to present the annual report of **Jinhui Holdings Company Limited** for the financial year 2017.

After a very tough year in 2016, the dry bulk shipping market has regained positive momentum since mid of 2017. The improved market conditions are driven by the accelerating seaborne activities, Chinese dry bulk demand in particular, and the slowdown of fleet growth in the market. Dry bulk shipping market have benefited from the improved balance between supply and demand in the second half of 2017. However, we remain cautious that the recent spike is driven by Chinese imports activities, any change in such demand would impact the freight rates and the dry bulk shipping market remains highly volatile. We remain positive in the longer term outlook as the supply side of dry bulk vessels would be limited, but it would take more years to prove a sustainable rebound. The overall recovery in dry bulk shipping market require a stronger demand and supply rebalance through slowing fleet growth, layups and scrapping of tonnages.

The Group's revenue for the year was HK$573,663,000 whereas HK$467,649,000 was reported for the year 2016. The net loss attributable to shareholders of the Company had been significantly reduced from HK$805,394,000 for the year 2016 to HK$13,631,000 for the year 2017. The net loss for the year was attributable to the impairment loss on assets held for sale (disposed vessels) of HK$49,149,000 recognized in 2017 whereas impairment loss on owned vessels of HK$881,478,000 and impairment loss on assets held for sale (disposed vessels) of HK$354,602,000 were recognized in 2016. The impairment losses on assets held for sale (disposed vessels) and on owned vessels are non-cash in nature and do not have impact on the operating cash flows of the Group. Basic loss per share was HK$0.026 for the year as compared to basic loss per share of HK$1.519 for the year 2016.

During the year, the Group took the opportunity to enter into five memorandums of agreement to dispose four Supramaxes and one Handysize at a total consideration of US$63,000,000 (approximately HK$491,400,000). By using the net sale proceeds arisen from the disposals for the repayment of the vessel mortgage loans, the Group's overall indebtedness had been reduced by approximately HK$408 million. The disposal of these five vessels would enable the Group to further enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio. A total impairment loss on assets held for sale (disposed vessels) of HK$49,149,000 was recognized in 2017 upon reclassification to assets held for sale. Two vessels were delivered to the respective buyers in April 2017 while the three remaining vessels were delivered to the respective buyers in June 2017. Given the unpredictable and often high earnings volatility in our industry, the disposal of the vessels can further reduce our debt service pressure from both principal repayments and interest payments in an expected rising interest rate environment. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate.

Chairman's Statement

We are in a relatively fortunate position where we have no capital expenditure commitment in relation to newbuilding contracts, as well as no charter-in contracts at this juncture. Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position, maintaining a young and modern fleet, and focus on the further reduction of debt to ensure we sail through stormy waters.

We will intimately monitor cargo flows in order to deploy our vessels efficiently to optimize revenue, secure and maximize income including potential recoveries from outstanding charter disputes, ensuring the maintenance of a high quality, safe fleet of vessels, and keeping costs in check to enhance our margins in order to remain competitive.

Over the longer term, we will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under different kinds of scenarios. We will exercise our best efforts to be one of the survivors, a trustworthy partner to those who support us, and be a long term preferred vessel provider to our customers.

I would like to take this opportunity to express my gratitude to my colleagues on the Board for their valuable contribution and to the staff for their hard work, commitment and dedication throughout the year.

By Order of the Board

Ng Siu Fai
Chairman

Hong Kong, 16 March 2018

Strategies and Business Profile

The Company was incorporated with limited liability in Hong Kong on 23 April 1991 and listed on the Hong Kong Stock Exchange (stock code: 137) on 6 December 1991 as the holding company for a number of ship owning and ship chartering subsidiaries. Since 1992, the Company started diversification of businesses such as trading and investments in various industries in China. Following a reorganization in June 1994, Jinhui Shipping and Transportation Limited became the immediate holding company of the shipping group. In order to generate international interest in Jinhui Shipping, it has been listed on the Oslo Stock Exchange, Norway (stock code: JIN) since October 1994.

STRATEGIES

The Group's fleet comprise principally of Supramax class vessels, a larger and more efficient Handymax design that enjoys increasing demand from customers around the world. The Group will focus on taking sensible and decisive actions, maintaining a strong financial position and moderate leverage, not ruling out a reduction in fleet size in order to sail through the current storm by placing further emphasis on prudence and stability as our core objectives going forward and seek to be a preferred vessel provider for customers.

On the commercial side, our strategy is to maintain a flexible chartering policy to achieve an optimal balance between longer term time charterparties which generate a robust cash inflow, and spot exposure which allows the Group to take advantage of any upside in future charter rates. We will also further boost up our risk management efforts with the objective to minimize potential counterparty risks.

SHIPPING BUSINESS

The Group operates its worldwide shipping activities through Jinhui Shipping, an approximately 55.69% owned subsidiary of the Company as at date of this annual report.

The Group's shipping activities began in the mid 1980's, principally in the form of chartering dry bulk carriers worldwide. The Group masterminds a meticulous and complex shipping operation linking suppliers with end users around the world. Its chief task is to identify the exact requirements of customers and use suitable vessels to carry bulk cargoes for specific voyages or periods of time.

The Group operates a modern fleet of dry bulk carriers which are either used for carrying cargoes or time chartered-out to other shipping operators whichever is expected to bring a higher economic benefit to the Group.

The key success factors in the ship chartering business are timing, performance and relationship. Ship charterers have to know their customers and suppliers well, building up mutual trust and respect. It is in this important area that the Group has always excelled, helping to cement contracts and maintain reasonable business flow even during difficult periods when the economy is weak.

It is the Group's policy to comply with all applicable environmental rules and regulations in its shipping operations as well as in its daily working environment to avoid the emission of noxious liquids into the environment. The Group's owned vessels are well maintained and we place great emphasis on the operation in compliance with safety and environmental laws and regulations including but not limited to ISM Code, ISPS Code, MARPOL and other applicable rules regulated by IMO. We ensure all crew on board are trained and certificated in accordance with STCW Convention. Our owned vessels are also subject to the laws, regulations and rules of each country and port they visit. We have developed policies and procedures intended to ensure our compliance with these laws, regulations and rules.

Strategies and Business Profile

SHIPPING BUSINESS *(Continued)*

Owned Vessels

As at 31 December 2017, the Group had twenty three owned vessels and 488 crew employed on board.

Name	Type	Built	Builder	Size (dwt)
Jin Lang	Post-Panamax	2010	Jiangsu New Yangzi	93,279
Jin Mei	Post-Panamax	2010	Jiangsu New Yangzi	93,204
Jin Xiang	Supramax	2012	Oshima	61,414
Jin Hong	Supramax	2011	Oshima	61,414
Jin Sui	Supramax	2008	Shanghai Shipyard	56,968
Jin Tong	Supramax	2008	Shanghai Shipyard	56,952
Jin Yue	Supramax	2010	Shanghai Shipyard	56,934
Jin Gang	Supramax	2009	Shanghai Shipyard	56,927
Jin Ao	Supramax	2010	Shanghai Shipyard	56,920
Jin Ji	Supramax	2009	Shanghai Shipyard	56,913
Jin Wan	Supramax	2009	Shanghai Shipyard	56,897
Jin Jun	Supramax	2009	Shanghai Shipyard	56,887
Jin Xing	Supramax	2007	Oshima	55,496
Jin Yi	Supramax	2007	Oshima	55,496
Jin Yuan	Supramax	2007	Oshima	55,496
Jin Cheng	Supramax	2003	Oshima	52,961
Jin Sheng	Supramax	2006	IHI	52,050
Jin Yao	Supramax	2004	IHI	52,050
Jin Quan	Supramax	2002	Oshima	51,104
Jin Ping	Supramax	2002	Oshima	50,777
Jin Fu	Supramax	2001	Oshima	50,777
Jin Li	Supramax	2001	Oshima	50,777
Jin Zhou	Supramax	2001	Mitsui	50,209
				1,341,902

Highlights

While the Group's expertise for its ship chartering business remains in Asia, by deploying a flexible and responsive sales strategy as well as an efficient fleet of vessels, the Group managed to serve a balancing portfolio of customers of our ship chartering business geographically during the year.

Loading Ports Analysis

	2017	2016
(Expressed as a percentage of revenue)	%	%
Asia excluding China	76.9	56.1
Australia	11.3	8.5
China	9.0	22.7
Africa	1.6	3.3
Europe	0.9	1.6
South America	0.3	2.9
North America	–	3.3
Others	–	1.6
	100.0	100.0

Discharging Ports Analysis

	2017	2016
(Expressed as a percentage of revenue)	%	%
China	84.8	63.1
Asia excluding China	14.8	33.7
Africa	–	1.5
South America	–	1.0
North America	–	0.3
Others	0.4	0.4
	100.0	100.0

Types of Cargoes carried by the Group's Fleet

	2017		2016	
	Metric Tons *(in '000)*	%	Metric Tons *(in '000)*	%
Minerals	10,814	70.2	11,276	55.0
Coal	2,899	18.8	4,247	20.7
Steel products	1,120	7.3	3,588	17.5
Cement	580	3.7	766	3.7
Agricultural products	–	–	581	2.8
Fertilizer	–	–	32	0.2
Alumina	–	–	30	0.1
	15,413	100.0	20,520	100.0

Highlights

KEY PERFORMANCE INDICATORS FOR SHIPPING BUSINESS

	2017	2016
	HK$'000	*HK$'000*
Average daily time charter equivalent rate [1]	**63**	38
Daily vessel running cost [2]	**30**	29
Daily vessel depreciation [3]	**16**	21
Daily vessel finance cost [4]	**4**	3
	50	53
Average utilization rate [5]	**99%**	98%

As at 31 December 2017, the Group had twenty three owned vessels. The average daily time charter equivalent rate earned by the Group's owned vessels increased 67% to US$8,111 (approximately HK$63,000) for the year 2017 as compared to US$4,871 (approximately HK$38,000) for the year 2016 due to the regained dry bulk shipping market since mid of 2017. Daily vessel running cost increased 4% from US$3,684 (approximately HK$29,000) for the year 2016 to US$3,843 (approximately HK$30,000) for the year 2017. Daily vessel depreciation dropped due to the readjusted depreciation upon the recognition of impairment loss on owned vessels at end of 2016. However, daily vessel finance cost increased 37% from US$415 (approximately HK$3,200) for the year 2016 to US$568 (approximately HK$4,400) for the year 2017. The interest saving from the reduction in outstanding loan principal upon disposal of five vessels in 2017 was offset by the increased interest margin of 0.75% per annum for those loans restructured during the forbearance period under the intercreditor deed forming between the Group and major lenders at end of 2016 and remained effective during the year 2017. Fleet utilization rate increased from 98% for the year 2016 to 99% for the year 2017. We will intimately monitor cargo flows in order to deploy our vessels efficiently to optimize revenue and fleet utilization rate and we will keep costs in check to enhance our margins.

Notes:

1. Average daily time charter equivalent rate is calculated as the time charter revenue, and voyage revenue less voyage expenses divided by the number of available days in the year.

2. Daily vessel running cost is calculated as the aggregate of crew expenses, insurance, consumable stores, spare parts, repairs and maintenance and other vessels' miscellaneous expenses divided by ownership days in the year.

3. Daily vessel depreciation is calculated as the aggregate of vessels' depreciation charge divided by ownership days in the year.

4. Daily vessel finance cost is calculated as the aggregate of vessels' finance costs divided by ownership days in the year.

5. Average utilization rate is calculated as the number of operating days divided by the number of available days in the year.

Highlights

FIVE-YEAR FINANCIAL SUMMARY

	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Key Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**573,663**	467,649	799,038	1,309,920	1,952,200
Net profit (loss) for the year	**(28,149)**	(1,472,496)	(3,021,949)	(687,252)	210,596
Other comprehensive income (loss)	**2,450**	(228)	33,746	(1,200)	(600)
Total comprehensive income (loss) for the year	**(25,699)**	(1,472,724)	(2,988,203)	(688,452)	209,996
Total comprehensive income (loss) for the year attributable to:					
Shareholders of the Company	**(11,225)**	(805,542)	(1,649,437)	(381,123)	120,158
Non-controlling interests	**(14,474)**	(667,182)	(1,338,766)	(307,329)	89,838
	(25,699)	(1,472,724)	(2,988,203)	(688,452)	209,996
Other Financial Information					
Basic earnings (loss) per share	**HK$(0.026)**	HK$(1.519)	HK$(3.174)	HK$(0.716)	HK$0.228

Highlights

FIVE-YEAR FINANCIAL SUMMARY *(Continued)*

	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Key Items in the Consolidated Statement of Financial Position					
Non-current assets	**2,287,911**	3,015,967	4,922,107	7,800,363	8,511,796
Current assets	**1,003,837**	816,880	1,229,210	2,069,398	2,808,239
Current liabilities	**(654,071)**	(407,432)	(873,452)	(778,501)	(1,042,212)
Non-current liabilities	**(599,819)**	(1,446,577)	(1,826,303)	(2,641,376)	(3,139,487)
Net assets	**2,037,858**	1,978,838	3,451,562	6,449,884	7,138,336
Issued capital	**381,639**	381,639	381,639	381,639	53,029
Reserves	**795,959**	792,247	1,597,789	3,247,226	3,956,959
Equity attributable to shareholders of the Company	**1,177,598**	1,173,886	1,979,428	3,628,865	4,009,988
Non-controlling interests	**860,260**	804,952	1,472,134	2,821,019	3,128,348
Total equity	**2,037,858**	1,978,838	3,451,562	6,449,884	7,138,336
Other Financial Information					
Gearing ratio	**13%**	52%	43%	24%	31%

Corporate Governance Report

CORPORATE GOVERNANCE PRINCIPLES

Jinhui Holdings is committed to promoting good corporate governance, with the objectives of the maintenance of responsible decision making; the improvement in transparency and disclosure of information to shareholders; the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of shareholders; and the improvement in management of risk and the enhancement of performance by the Group.

To this end, the Company has promulgated a set of Company Code which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared and updated by referencing to the principles, code provisions and recommended best practices as set out in Appendix 14 of the Listing Rules. In addition to formalizing existing corporate governance principles and practices, the Company Code also serves the purpose of assimilating existing practices and ultimately ensuring high transparency and accountability to the Company's shareholders.

The Company has complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017, with deviations explained in this corporate governance report.

DIRECTORS

The Board

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting the success of the Company by directing and supervising the Company's businesses and affairs.

The Board meets regularly and board meetings are held at least four times a year at approximately quarterly intervals. Such board meetings involve the active participation, either in person or through electronic means of communication, of a majority of directors of the Company entitled to be present.

All Directors are given the opportunity to include items in the agenda for regular board meetings. Sufficient and reasonable notices have been given to ensure Directors are given opportunity to attend. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director. Such minutes record in sufficient detail the matters considered and decisions reached. Draft and final versions of minutes are sent to all Directors for their comment and records respectively, within a reasonable time after the board meeting is held. Any Director may, in furtherance of his / her duties, take independent professional advice where necessary at the expense of the Company.

DIRECTORS *(Continued)*

The Board *(Continued)*

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose associates, have no material interest in the transaction shall be present at such board meeting.

The Company has arranged for appropriate insurance cover for directors' and senior management's liabilities in respect of legal actions against its directors and senior management arising from corporate activities.

The Board meets regularly over the Company's affairs and operations. The attendance records of each member of the Board and board committees at meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee held in 2017, and the 2017 Annual General Meeting are set out below:

	Number of meetings attended / held for the year 2017				
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2017 Annual General Meeting**
Executive Directors					
Ng Siu Fai, *Chairman*	5/6	–	–	–	1/1
Ng Kam Wah Thomas, *Managing Director*	6/6	–	–	–	0/1
Ng Ki Hung Frankie	6/6	–	–	–	1/1
Ho Suk Lin	6/6	–	–	–	1/1
Independent Non-executive Directors					
Cui Jianhua	5/6	3/3	1/1	1/1	1/1
Tsui Che Yin Frank	6/6	3/3	1/1	1/1	1/1
William Yau	6/6	3/3	1/1	1/1	1/1

DIRECTORS *(Continued)*

Chairman and Chief Executive

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 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.

The Chairman ensures that all Directors are properly briefed on the issues arising at the Board meetings and all Directors receive adequate, complete and reliable information. Throughout the year, the Chairman provides leadership for the Board; ensures that the Board and board committees function effectively and perform their responsibilities; ensures that good corporate governance practices and procedures are established. The Chairman holds annual meeting with the independent non-executive directors without the executive directors; and ensure necessary steps are taken to provide effective communication with shareholders and ensure constructive relations between executive and non-executive directors. The Board believes that Mr. Ng Siu Fai's appointment to the post of Chairman is beneficial to the business prospects and management of the Company.

DIRECTORS *(Continued)*

Board composition

The Board includes a balanced composition of executive and non-executive directors with a balance of skills and experience appropriate for the business of the Company.

The Board comprises a total of seven Directors, with four executive directors, Mr. Ng Siu Fai (Chairman), Mr. Ng Kam Wah Thomas (Managing Director), Mr. Ng Ki Hung Frankie and Ms. Ho Suk Lin; and three independent non-executive directors, Mr. Cui Jianhua, Mr. Tsui Che Yin Frank and Mr. William Yau.

Biographical details of the Directors and the relationships (including financial, business, family or other material or relevant relationships) among members of the Board are set out on pages 41 and 42.

During the year, the Board is assisted by three board committees which are Audit Committee, Remuneration Committee and Nomination Committee. Their existence does not reduce the responsibility of the Board as a whole. Board committee meetings are convened to prepare matters for consideration and final decision by the Board as a whole. Material information that comes to the attention of board committees are also communicated to other members of the Board. As a general principle, the board committees have an advisory role to the Board. They assist the Board in specific areas and make recommendations to the Board. However, only the Board has the power to make final decisions.

During the year, the Board has at all times complied with the Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise. Each of the independent non-executive director has made an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines as set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

All independent non-executive directors are expressively identified in all corporate communications that disclose the names of directors while a list of directors identifying their roles and functions is maintained on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.jinhuiship.com.

Appointments and re-election of directors

The independent non-executive directors of the Company are appointed for specific terms and subject to retirement by rotation at least once every three years and re-appointed at annual general meeting of the Company. Formal letters of appointment with specific terms with independent non-executive directors are arranged.

DIRECTORS *(Continued)*

Appointments and re-election of directors *(Continued)*

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.

Re-election of independent non-executive directors

Mr. William Yau has served as an independent non-executive director since 2004. As Mr. Yau has served the Company for more than nine years, and he was subject to re-election as an independent non-executive director at the 2017 Annual General Meeting, the Board assessed and considered that Mr. Yau's independence was not affected by his long service with the Company. Mr. Yau met the independence guideline as set out in Rule 3.13 of the Listing Rules. He has been independent of the management and free from any business or other relationship or circumstances which would materially interfere with the exercise of his independent judgement. His further appointment which was subject to a separate resolution had been approved by Shareholders at the 2017 Annual General Meeting held on 19 May 2017.

DIRECTORS *(Continued)*

Nomination Committee

The Nomination Committee was established on 1 January 2013, currently comprising three independent non-executive directors, Mr. Cui Jianhua (chairman of Nomination Committee), Mr. Tsui Che Yin Frank and Mr. William Yau. The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. The Nomination Committee has a board diversity policy to achieve diversity on the Company's board of directors. The diversity perspective in the board diversity policy has been considered from a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Board's composition is included in the corporate governance report and the Nomination Committee shall meet at least once a year. The Nomination Committee is provided with sufficient resources to perform its duties and has access to independent professional advice if necessary.

The terms of reference of the Nomination Committee, explaining its roles and authorities delegated to it by the Board was published on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

During the year, the Nomination Committee held a meeting to review the structure, size and composition of the Board, and make recommendations to the Board.

Responsibilities of directors

A Guide on Directors' duties issued by the Companies Registry has been provided to each Director. A comprehensive induction package designed to provide a general understanding of the Group, its business, the operations of the Board and the main issues it faces, and, if appropriate, an overview of the additional functions and responsibilities of non-executive directors will be provided to newly appointed directors. To assist Directors bringing informed decisions in the best interests of the Company and the shareholders, an information package comprising the latest developments in the legislations and industry news are forwarded to each Director from the Company Secretary periodically.

Directors are aware sufficient time and attention could be given to the affairs of the Company and ensure that their contribution to the Board remains informed and relevant by participating in continuous professional development.

The Board has the responsibility of development and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. The Board is responsible for arranging appropriate insurance coverage and organizing the Group's wide risk reporting.

DIRECTORS *(Continued)*

Responsibilities of directors *(Continued)*

Independent non-executive directors have participated in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct; they also take the lead where potential conflicts of interests arise; serve on the audit, remuneration, and nomination committees; and scrutinize the company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting. They have given the board and committees on which they service the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendence and active participation. They have also attended general meetings and developed a balanced understanding of the views of shareholders and have contributed to the development of the Company's strategy and policies through independent, constructive and informed comments.

The Board is satisfied with continuous professional development undertaken by respective Directors. During the year, Mr. Ng Siu Fai, Mr. Ng Kam Wah Thomas, Mr. Ng Ki Hung Frankie, Ms. Ho Suk Lin, Mr. Cui Jianhua, Mr. Tsui Che Yin Frank and Mr. William Yau participated in continuous professional development by perusing comprehensive papers focusing on the regulatory changes and corporate governance related matters published by relevant authorities and professional bodies. In addition, Ms. Ho Suk Lin and Mr. Tsui Che Yin Frank, who have appropriate professional qualifications in accounting and related financial management expertise, further confirmed that they had attended adequate continuous professional development courses and seminars held by relevant authorities and professional bodies.

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 2017.

Supply of and access to information

Directors are provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities. For regular board meetings, agenda and accompanying board papers are sent in a timely manner and at least three days before the intended date of a board or board committee meeting (or other agreed period). The board and individual directors have separate and independent access to the Company's senior management. All Directors are entitled to have access to board papers and related materials.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The Remuneration Committee was established on 25 August 2005, currently comprising three independent non-executive directors, Mr. Cui Jianhua (chairman of Remuneration Committee), Mr. Tsui Che Yin Frank and Mr. William Yau.

The roles and functions of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, and reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. It also makes recommendations to the Board on the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind, pension rights and compensation payments, and the remuneration of the independent non-executive directors. The Remuneration Committee should consider factors such as the performance of Executive Directors and senior management, the profitability of the Group, salaries paid by comparable companies, time commitment and responsibilities, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Group. The Remuneration Committee shall meet at least once a year. The Remuneration Committee is provided with sufficient resources to perform its duties and has access to independent professional advice if necessary.

The terms of reference of the Remuneration Committee, explaining its roles and the authorities delegated to it by the Board was published on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

During the year, the Remuneration Committee held a meeting to review and assess the management's remuneration proposals with reference to the corporate goals and objectives, and to make recommendations to the Board regarding the remuneration to individual executive directors and senior management. Details of the emoluments of the Directors and remuneration to senior management by band for the year are set out in note 10 to the consolidated financial statements.

ACCOUNTABILITY AND AUDIT

Financial reporting

It is the Board's responsibility to present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. The Board presents such assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules, and for reports to regulators and information disclosed under statutory requirements.

ACCOUNTABILITY AND AUDIT *(Continued)*

Financial reporting *(Continued)*

Management provides sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval. In this regard, the management provides all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details.

The Directors are responsible for preparing the consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. Appropriate accounting policies have also been used and applied consistently. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt on the Group's ability to continue as a going concern. A statement by the auditor of the Company about auditor's responsibility on the consolidated financial statements of the Group is set out in "Independent Auditor's Report" on pages 52 to 56. A separate statement of the strategy and business model is included in "Strategies and Business Profile" on pages 5 and 6 and the Board also present a balanced, clear and understandable assessment of the Group's performance in its "Management Discussion and Analysis" on pages 26 to 40.

Risk management and internal control

It is the Board's responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board also oversees management in the design, implementation and monitoring of the risk management and internal control systems on an ongoing basis, and management shall confirm to the Board on the effectiveness of these systems at least annually.

The Board, through the assistance of Audit Committee, has conducted an annual review of the effectiveness of the Group's risk management and internal control systems, covering all material financial, operational and compliance controls. In particular, the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Group's accounting and financial reporting functions are reviewed. The annual review also covered the Group's significant and emerging risks in shipping business; the quality of management's ongoing monitoring of risks and of the internal control systems; the extend and frequency of communication of monitoring results to the Audit Committee and the Board; whether there is any significant control failings or weaknesses identified and the effectiveness of the Group's processes for financial reporting and Listing Rules compliance. For the year 2017, the review of the effectiveness of the Group's risk management and internal control systems has been conducted and certain key internal control systems have been independently reviewed by Grant Thornton Hong Kong Limited during the year and are reviewed by the Audit Committee on an ongoing basis so that the practical and effective systems are implemented. The Board is satisfied that such systems are effective and adequate and appropriate actions have been taken.

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk management and internal control *(Continued)*

The risk management and internal control systems and accounting system of the Group are designed to identify and evaluate the Group's risk and formulate risk mitigation strategies, and to provide reasonable assurance that assets are safeguarded against unauthorized use or disposition, transactions are executed in accordance with management's authorization, and the accounting records are reliable for preparing financial information used within the business for publication, maintaining accountability for assets and liabilities and ensuring the business operations are in accordance with relevant legislation, regulations and internal guidelines.

The Group has a defined organizational structures with clear defined lines of responsibility and authority. Each business unit / department is accountable for its daily operations and is required to report to executive directors on a regular basis. Policies and procedures are set for each business unit / department, which includes approvals, authorization, verification, recommendations, performance reviews, assets security and segregation of duties. The key control procedures include establishing and maintaining effective policies to ensure proper management of risks to which the Group are exposed and taking appropriate and timely action to manage such risks, establishing a structure with defined authorities and proper segregation of duties; monitoring the strategic plan and performance; designing an effective accounting and information system; controlling price sensitive information; and ensuring swift actions and timely communication with our stakeholders. At least twice a year, the management will report to the Audit Committee on the effectiveness of risk management and internal control systems. The Audit Committee review how management designs, implements and monitors risk management and internal control procedures, findings and recommendations and follow-up procedures on the annual assessment; and the Audit Committee will report on the overall effectiveness of the risk management and internal control systems to the Board annually. The Group's risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives. With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorized use of inside information and has communicated to all staff; the Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs. Details of the Group's risk management policies are set out in "Management Discussion and Analysis" on pages 36 and 37 and note 35 to the consolidated financial statements on pages 105 to 110.

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk management and internal control *(Continued)*

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.

Except for the deviation of code provision C.2.5 of the CG Code, the Board considers that the Company has complied with the requirements under the Listing Rules regarding the risk management and internal control, and will continue to review, revise and strengthen its risk management and internal control from time to time so that practical and effective systems are implemented.

Audit Committee

The Audit Committee was established on 22 September 1998, currently comprises of three independent non-executive directors, Mr. Tsui Che Yin Frank (chairman of Audit Committee), Mr. Cui Jianhua and Mr. William Yau. The primary duties of the Audit Committee include the review of the Group's financial reporting, the nature and scope of audit review as well as the effectiveness of the systems of risk management and internal control and compliance. The Audit Committee is also responsible for making recommendations in relation to the appointment, re-appointment and removal of the auditor, and reviewing and monitoring the auditor's independence and objectivity. In addition, the Audit Committee discusses matters raised by the auditor and regulatory bodies to ensure that appropriate recommendations are implemented. The Audit Committee shall meet at least twice a year. The Audit Committee is provided with sufficient resources to perform its duties and has access to independent professional advice if necessary.

The terms of reference of the Audit Committee, explaining its roles and the authorities delegated to it by the Board was published on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

During the year, 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 Audit Committee held three meetings in 2017. The Group's annual consolidated financial statements for the year ended 31 December 2017 and interim consolidated financial statements for the period ended 30 June 2017 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.

DELEGATION BY THE BOARD

Management functions

While the Board is entrusted with the overall responsibility for promoting the success of the Company by the strategic direction and governance of the Company's businesses and affairs, the functions of implementing the approved strategy and policies as well as managing the day-to-day operations are delegated to the management, comprises of executive directors and senior management of the Company.

The Company formalizes the functions reserved to the Board and those delegated to the management. Formal letters of appointment for Directors setting out the key terms and conditions of their appointments are arranged. Such arrangements are subject to periodically review to ensure they remain appropriate to the Company's needs.

The Board delegates aspects of its management and administration functions to the management and it gives clear directions as to the management's powers, in particular, where the management should report back and obtain prior Board's approval before making decisions or entering into any commitments on the Company's behalf.

The list of executive directors and senior management and their biographical details are set out on pages 41 and 42.

Board committees

Board committees are established with clear specific terms of reference which deal clearly with their authority and duties that enable such committees to discharge their functions properly. Such terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee require such committees to report back to the Board on their decisions or recommendations.

Corporate governance functions

The Board is responsible for developing and reviewing the Company's policies and practices on corporate governance and performing the corporate governance duties as set out in CG Code provision D.3.1. The following is a non-comprehensive summary of the duties performed by the Board for the year:

- Reviewed and monitored the training and continuous professional development of Directors;
- Reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- Reviewed and monitored the code of conduct applicable to employees and Directors; and
- Reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

COMMUNICATION WITH SHAREHOLDERS

Effective communication

The Board endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings or other general meetings to communicate with shareholders and encourage their participation. At each general meeting, a separate resolution is proposed by the chairman of that meeting and the resolutions are not bundled. The chairman of the Board and the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee shall attend and answer questions at the annual general meetings.

In order to further promote effective communication, the Company maintains a website to disseminate information electronically on a timely basis and the Board shall review the effectiveness of shareholders' communication policy on a regular basis.

The 2018 Annual General Meeting of the Company will be held on Thursday, 17 May 2018. Notice of the Annual General Meeting will be published at least twenty clear business days before the meeting on the websites of Hong Kong Exchanges and Clearing Limited and the Company, and will be despatched to shareholders of the Company in due course.

The register of members of the Company will be closed from Monday, 14 May 2018 to Thursday, 17 May 2018, 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 2018 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 Friday, 11 May 2018.

Voting by poll

Shareholders of the Company are entitled to attend shareholders' meeting in person or by proxy. The Company informs the shareholders of the procedures for voting by poll and ensures compliance with the requirements about voting by poll contained in the Listing Rules and the Articles of Association of the Company.

COMPANY SECRETARY

Ms. Ho Suk Lin has been appointed by the Board as Company Secretary of the Company since 1991. Ms. Ho is responsible for advising the Board through the Chairman and / or the chief executive on governance matters and also facilitating induction and professional development of Directors. All Directors have access to the advice and services of the Company Secretary to ensure that all Board procedures and rules and regulations are followed.

AUDITOR'S REMUNERATION

The performance of the auditor of the Company during the year has been reviewed by the Audit Committee. In 2017, the remuneration paid and payable to the auditor of the Company for the provision of the Group's audit services and other services were HK$1,580,000 and HK$353,000 respectively. The other services mainly include interim review, tax compliance services and review of internal control systems.

INVESTOR RELATIONS

There is no change in the company's constitutional documents during the year.

SHAREHOLDERS' RIGHT

Procedures for shareholders to call a general meeting

For shareholder(s) of the Company who wish to call a general meeting, the shareholder(s) is / are requested to follow the requirements and procedures as set out in Section 566 of the Companies Ordinance.

Shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings can make a request to call a general meeting of the Company.

The request (a) must state the general nature of the business to be dealt with at the meeting; (b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting; (c) may consist of several documents in like form; (d) may be sent to the registered office of the Company in hard copy form or in electronic form; and (e) must authenticated by the person or persons making it.

Pursuant to Section 567 of the Companies Ordinance, the Directors must call a general meeting within twenty one days after the date on which they become subject to the requirement and the meeting so called must be held on a date not more than twenty eight days after the date of the notice convening the meeting. If the Directors do not do so, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting pursuant to Section 568 of the Companies Ordinance, but the meeting must be called for a date not more than three months after the date on which the Directors become subject to the requirement to call a general meeting. The Company must reimburse any reasonable expenses incurred by the shareholders requesting the meeting by reason of the failure of the Directors duly to call a general meeting.

SHAREHOLDERS' RIGHT *(Continued)*

Procedures for shareholders to circulate a resolution for annual general meeting

For shareholder(s) of the Company who wish to make a request to circulate a resolution for an annual general meeting, the shareholder(s) is / are requested to follow the requirements and procedures as set out in Section 615 of the Companies Ordinance.

Shareholder(s) can make a request to circulate a resolution for an annual general meeting pursuant to Section 615 of the Companies Ordinance if: (a) they represent at least 2.5% of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least fifty shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The request (a) may be sent to the registered office of the Company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) six weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

Shareholders' enquiries

The Chairman as well as the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee, and all Directors are normally available at the annual general meeting to answer shareholders' enquiries, unless illness or another pressing commitment precludes them from doing so. Shareholders are also invited to ask questions during the meeting and have an opportunity to meet with Directors after the formal business of the meeting has been concluded. Shareholders could also direct their questions about their shareholdings to the Company's share registrar.

Management Discussion and Analysis

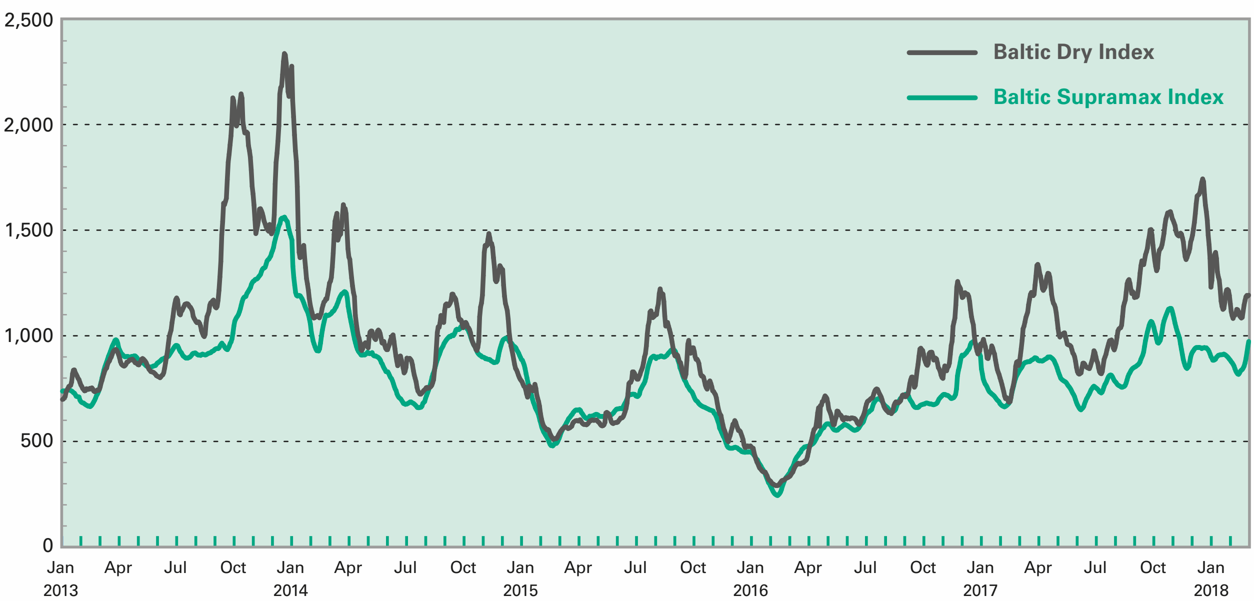
BUSINESS REVIEW

The Group operates its worldwide shipping activities through Jinhui Shipping and Transportation Limited, an approximately 55.69% owned subsidiary of the Company as at date of this annual report, whose shares are listed on the Oslo Stock Exchange, Norway.

After a very tough year in 2016, the dry bulk shipping market has regained positive momentum since mid of 2017. The improved market conditions are driven by the accelerating seaborne activities, Chinese dry bulk demand in particular, and the slowdown of fleet growth in the market. Dry bulk shipping market have benefited from the improved balance between supply and demand in the second half of 2017. However, we remain cautious that the recent spike is driven by Chinese imports activities, any change in such demand would impact the freight rates and the dry bulk shipping market remains highly volatile. We remain positive in the longer term outlook as the supply side of dry bulk vessels would be limited, but it would take more years to prove a sustainable rebound. The overall recovery in dry bulk shipping market require a stronger demand and supply rebalance through slowing fleet growth, layups and scrapping of tonnages.

Dry bulk shipping market has been improving since February 2017 on the back of rising dry seaborne trade volumes which were stimulated by both increasing agricultural products and coal trading activities. The average of Baltic Dry Index for the year was 1,145 points, which compares to 673 points in 2016. Revenue for the year 2017 was HK$573,663,000, representing an increase of 23% as compared to HK$467,649,000 for the year 2016.

Baltic Dry Index & Baltic Supramax Index



Source: Bloomberg

BUSINESS REVIEW *(Continued)*

Average daily time charter equivalent rates	2017 *US$*	2016 *US$*
Post-Panamax / Panamax fleet	**8,645**	4,475
Supramax / Handymax / Handysize fleet	**8,063**	4,922
In average	**8,111**	4,871

Key Performance Indicators for Shipping Business	2017 *HK$'000*	2016 *HK$'000*
Average daily time charter equivalent rate	**63**	38
Daily vessel running cost	**30**	29
Daily vessel depreciation	**16**	21
Daily vessel finance cost	**4**	3
	50	53
Average utilization rate	**99%**	98%

As at 31 December 2017, the Group had twenty three owned vessels. The average daily time charter equivalent rate earned by the Group's owned vessels increased 67% to US$8,111 (approximately HK$63,000) for the year 2017 as compared to US$4,871 (approximately HK$38,000) for the year 2016 due to the regained dry bulk shipping market since mid of 2017. Daily vessel running cost increased 4% from US$3,684 (approximately HK$29,000) for the year 2016 to US$3,843 (approximately HK$30,000) for the year 2017. Daily vessel depreciation dropped due to the readjusted depreciation upon the recognition of impairment loss on owned vessels at end of 2016. However, daily vessel finance cost increased 37% from US$415 (approximately HK$3,200) for the year 2016 to US$568 (approximately HK$4,400) for the year 2017. The interest saving from the reduction in outstanding loan principal upon disposal of five vessels in 2017 was offset by the increased interest margin of 0.75% per annum for those loans restructured during the forbearance period under the intercreditor deed forming between the Group and major lenders at end of 2016 and remained effective during the year 2017. Fleet utilization rate increased from 98% for the year 2016 to 99% for the year 2017. We will intimately monitor cargo flows in order to deploy our vessels efficiently to optimize revenue and fleet utilization rate and we will keep costs in check to enhance our margins.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

As at 31 December 2017, the Group had twenty three owned vessels as follows:

	Number of owned vessels
Post-Panamax fleet	2
Supramax fleet	21
Total fleet	**23**

During the year, the Group had entered into five memorandums of agreement to dispose four Supramaxes and one Handysize, at a total consideration of US$63 million (approximately HK$491 million). Following the disposal of five vessels, the Group's total carrying capacity had been reduced from deadweight 1,602,343 metric tons to 1,341,902 metric tons. Five vessels had been delivered to the respective buyers during the year.

Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position. We will continuously monitor the market as well as our operations going forward and will maintain a young and modern fleet, not ruling out any future disposal or acquisition of vessels and will make such decisions on an ad hoc basis to readjust our fleet size.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and operating loss. The Group's revenue for the year 2017 increased 23% to HK$573,663,000, comparing to HK$467,649,000 for the year 2016. The Company recorded a consolidated net loss of HK$28,149,000 for the year 2017 while a consolidated net loss of HK$1,472,496,000 was reported in 2016. The consolidated net loss for the year 2017 was attributable to the impairment loss on assets held for sale (disposed vessels) of HK$49,149,000 recognized upon reclassification to assets held for sale of four Supramaxes and one Handysize for which the Group entered into disposal agreements and relevant disposals were completed in 2017. The impairment loss on assets held for sale (disposed vessels) is non-cash in nature and does not have impact on the operating cash flows of the Group.

Other operating income. Other operating income decreased from HK$179,253,000 for the year 2016 to HK$105,449,000 for the year 2017 due to the reduced settlement income received from charterers in relation to repudiation claims from HK$43,841,000 in 2016 to HK$8,301,000 in 2017 and the reduced fair value gain on investment properties from HK$53,350,000 in 2016 to HK$14,580,000 in 2017. The Group will continue to seek all legal means to recover the amounts granted in the arbitration awards. Other operating income also included a net gain of HK$38,340,000 on financial assets at fair value through profit or loss in 2017 whereas net loss of HK$19,089,000 on financial assets at fair value through profit or loss was recognized in 2016 and was included in other operating expenses.

Shipping related expenses. Shipping related expenses dropped from HK$424,831,000 for the year 2016 to HK$340,841,000 for the current year. The decrease was mainly attributable to the reduced number of owned vessels and the continued efforts in reducing vessels' running costs under the Group's cost reduction strategy in order to remain competitive in the current tough market environment.

Finance costs. Finance costs slightly increased to HK$40,498,000 for the year 2017, as compared to HK$39,902,000 for the year 2016. The interest saving from the reduction in outstanding loan principal upon disposal of five vessels in 2017 was offset by the increased interest margin of 0.75% per annum for those loans restructured during the forbearance period under the intercreditor deed forming between the Group and major lenders at end of 2016 and remained effective during the year 2017.

Financial assets at fair value through profit or loss. As at 31 December 2017, the Group's portfolio of investment in financial assets at fair value through profit or loss was HK$208,572,000 (2016: HK$391,868,000), in which HK$173,924,000 (2016: HK$150,540,000) was investment in listed equity securities and HK$34,648,000 (2016: HK$241,328,000) was investment in listed debt securities.

FINANCIAL REVIEW *(Continued)*

Liquidity, financial resources and capital structure. As at 31 December 2017, the Group maintained positive working capital position of HK$349,766,000 (2016: HK$409,448,000) and the total of the Group's equity and debt securities, bank balances and cash increased to HK$819,533,000 (2016: HK$632,740,000). During the year, net cash generated from operating activities amounted to HK$307,287,000 (2016: HK$276,916,000).

As at 31 December 2017, the Group's bank borrowings decreased to HK$1,077,034,000 (2016: HK$1,657,916,000), of which 44%, 26% and 30% are repayable respectively within one year, one to two years and two to five years. Vessel mortgage loans were denominated in United States Dollars and were committed on floating rate basis.

The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, decreased to 13% (2016: 52%) as at 31 December 2017. The drop in gearing ratio for the year was mainly attributable to the decrease in bank borrowings upon repayment of loans for five disposed vessels and the increase in bank balances from the proceeds of the rights issue carried out by Jinhui Shipping. 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 2017, the Group is able to service its debt obligations, including principal and interest payments.

An intercreditor deed (the "ICD") forming between the Group and major lenders was executed in December 2016 and remained effective throughout the year 2017. 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.

Subsequent to the reporting date, the Group repaid all deferred installments during the forbearance period of HK$244,971,000 to respective lenders on 10 January 2018. Immediately after the repayment of all deferred installments, the Group's vessel mortgage loans dropped from HK$1,075,034,000 as of 31 December 2017 to HK$830,063,000 on 10 January 2018.

We will continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate and make adjustments to its capital structure in the light of changes in economic conditions, recent market values of the Group's assets as well as the risk characteristics of the underlying assets.

FINANCIAL REVIEW *(Continued)*

Pledge of assets. As at 31 December 2017, the Group's property, plant and equipment with an aggregate net book value of HK$1,995,279,000 (2016: HK$2,608,529,000), investment properties with an aggregate carrying amount of HK$160,880,000 (2016: HK$106,975,000), and deposits of HK$50,864,000 (2016: HK$50,663,000) placed with banks were pledged together with the assignment of twenty three (2016: twenty eight) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of eighteen (2016: twenty two) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

Capital expenditures and commitments. During the year, capital expenditure on additions of owned vessels was HK$38,776,000 (2016: HK$38,310,000), and on other property, plant and equipment was HK$34,000 (2016: HK$818,000). As at 31 December 2017 and 2016, there was no capital expenditure commitments contracted by the Group but not provided for.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSALS

Significant investment

As at 31 December 2017, the Group had investments in listed equity and debt securities with fair value of HK$173,924,000 and HK$34,648,000 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 2017, the Group recognized realized trading gain of HK$21,816,000 and unrealized gain from mark-to-market fair value adjustments of HK$19,033,000 from its investment in equity securities.

The Directors consider that equity investment with a market value that account for more than 1% of the Group's net assets at the reporting date as significant investment. The details of the equity investment which accounted for more than 1% of the Group's net assets as at 31 December 2017 is set out below:

(1) Guoco Group Limited ("Guoco") (Stock Code: 53), listed on The Stock Exchange of Hong Kong Limited, is an investment holding and investment management company with diversified sources of revenue generated from core businesses which include property development and investment; principal investment; hospitality and leisure business; and financial services.

The Group held 491,000 shares of Guoco with investment cost of HK$45,366,000. The fair value of these shares as at 31 December 2017 was HK$49,296,000, which represented approximately 2.4% of the Group's net assets.

As disclosed in the interim results announcement of Guoco for the six months ended 31 December 2017, Guoco Group recorded unaudited consolidated profit attributable to equity shareholders for the six months ended 31 December 2017, after taxation and non-controlling interests of HK$3,697 million, up 21% as compared to HK$3,052 million for the previous corresponding period. Basic earnings per share for the six months ended 31 December 2017 amounted to HK$11.38. We consider the future earnings growth prospect of Guoco is positive.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSALS *(Continued)*

Significant investment *(Continued)*

(2) 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 362,923 shares of UOB with investment cost of approximately HK$51,382,000. The fair value of these shares as at 31 December 2017 was approximately HK$56,067,000, which represented approximately 2.8% of the Group's net assets.

As disclosed in the results announcement of UOB for the year ended 31 December 2017, UOB recorded an audited net earnings of SGD3.39 billion, 9% higher than the year of 2016. Basic earnings per share for the year 2017 was SGD1.99 as compared to basic earnings per share of SGD1.86 for the year 2016. 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 1% of the net assets of the Group as at 31 December 2017. The principal activities of these companies include mainly money lending and financial services; fund management; securities trading and investment; property development and investment; infrastructure; operation of casinos; solar energy; and construction, operation and maintenance of power stations.

Disposal of vessels

During the year, the Group took the opportunity to enter into five memorandums of agreement to dispose four Supramaxes and one Handysize at a total consideration of US$63,000,000 (approximately HK$491,400,000). By using the net sale proceeds arisen from the disposals for the repayment of the vessel mortgage loans, the Group's overall indebtedness had been reduced by approximately HK$408 million. The disposal of these five vessels would enable the Group to further enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio. For financial reporting purposes, these five disposed vessels were reclassified to "Assets held for sale" in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale (disposed vessels) of HK$49,149,000 was recognized in 2017 upon reclassification to assets held for sale. Two vessels were delivered to the respective buyers in April 2017 while the three remaining vessels were delivered to the respective buyers in June 2017.

Given the unpredictable and often high earnings volatility in our industry, the disposal of the vessels can further reduce our debt service pressure from both principal repayments and interest payments in an expected rising interest rate environment. The Directors continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSALS *(Continued)*

Acquisition of additional interest in a subsidiary under rights issue

On 3 July 2017, the board of Jinhui Shipping, the Company's major subsidiary, resolved to carry out the rights issue of Jinhui Shipping for raising up to NOK201.7 million (approximately HK$186.8 million), before expenses, by issuing up to 25,213,602 Jinhui Shipping Offer Shares and list the new Jinhui Shipping Shares on the Oslo Stock Exchange, Norway.

On 3 July 2017, the Company and Jinhui Shipping entered into the Pre-Subscription Agreement in respect of the proposed Jinhui Shipping Rights Issue, under which the Company shall subscribe for its pro-rata share of the Jinhui Shipping Offer Shares (i.e. 13,810,440 Jinhui Shipping Offer Shares) at the Subscription Price of NOK8.00 (approximately HK$7.41) per Jinhui Shipping Offer Share at a total consideration of NOK110,483,520 (approximately HK$102.3 million).

The Company announced on 2 August 2017, all the conditions precedent set out in the Pre-Subscription Agreement in respect of the Jinhui Shipping Rights Issue have been fulfilled. Pursuant to the terms of the Pre-Subscription Agreement, the Company subscribed for 13,810,440 Jinhui Shipping Offer Shares at the Subscription Price of NOK8.00 (approximately HK$7.41) at a total consideration of NOK110,483,520 (approximately HK$102.3 million). During the subscription period of the Jinhui Shipping Rights Issue, the Company also subscribed for the excess of 996,000 Jinhui Shipping Offer Shares through oversubscription at the Subscription Price of NOK8.00 (approximately HK$7.41) at an additional consideration of NOK7,968,000 (approximately HK$7.4 million).

On 26 July 2017, the Company was informed by Arctic Securities AS, sole manager for the Jinhui Shipping Rights Issue, that a total of 14,806,440 Jinhui Shipping Offer Shares had been allocated to the Company on the basis of exercised subscription rights and as a result of oversubscription. On 27 July 2017, the Company paid for the allocated Jinhui Shipping Offer Shares at a total consideration of NOK118,451,520 (approximately HK$109.7 million). On 2 August 2017, the issuance of the new shares of Jinhui Shipping pursuant to the consummation of the Jinhui Shipping Rights Issue has been registered in Jinhui Shipping's register of members and the new allocated shares of 14,806,440 subscribed shares are delivered and registered to the Verdipapirsentralen and the transaction in relation to full acceptance of Jinhui Shipping Rights Issue had been completed. After the completion of Jinhui Shipping Rights Issue, Jinhui Shipping is an approximately 55.69% owned subsidiary of the Company, whose shares are listed on the Oslo Stock Exchange, Norway.

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.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

The employees are the Group's most important resource and are crucial to the Group's success in achieving its targets for long term value creation. The Group provides various resources for staff training and development.

As at 31 December 2017, the Group had 69 (2016: 70) 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.

The Group maintains a good relationship with its employees and crew and has not experienced any disruption of its operation as a result of industrial disputes.

WORKING ENVIRONMENT

In order to attract and retain the best people for the sustainable growth of the Company, we place emphasis on a healthy and safe workplace on board in our vessels and ashore at our office and support all kinds of community activities that contribute to our community.

We put safety as our top priority in business operation. Accident preventions and efforts for improvement in working environment are given high priority in the business management, conventions and all parts of operations. We strive to comply with applicable safety and environmental laws and regulations to which seafarers of all ranks must be trained and certificated in order to be able to carry out their respective duties on board in our vessels. We ensure all crew on board are trained and certificated in accordance with STCW Convention.

We provide fringe benefits and welfare to our people including but not limited to medical and life insurance, pension schemes, paid leave for various purposes, travel or meals for business-related work, and other benefits to improve employees' well-being.

EXTERNAL ENVIRONMENT ISSUES

We are committed to operate our business in an environmentally and socially responsible manner. To achieve this, we strive to comply with all applicable rules and regulations with our best efforts in shipping operation as well as in our daily working environment to minimize any adverse impact to the environment. The possible environment impact may include air pollutants emissions, ballast water discharges and oil pollution in environmental disaster. By maintaining operational safety and providing quality training of our crews in compliance with applicable environmental laws and regulations, we believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations.

EXTERNAL ENVIRONMENT ISSUES *(Continued)*

It has always been our policy to maintain high standard of environmental protection awareness and to operate our vessels in a safe and environmental friendly manner. We maintain our modern first-class fleet to enable maximum environmental performance and ensure our compliance to safety and environmental laws and regulations including ISM Code, ISPS Code, and other applicable rules regulated by IMO. These conventions have been ratified by majority of maritime nations and apply to all vessels registered in these countries or calling in the waters of these countries. We obtain safety management certificate, document of compliance and go through annual verification and audit for compliance with ISM Code issued by recognized organization on behalf of the flag states.

We ensure our own fleet be equipped with proven green and energy efficiency equipment and technologies to minimize the emission of toxic pollutants, which include:

Nitrogen Oxides (NOx) – our vessels are built with the main engine and auxiliary engines that are fuel-efficient and comply with the latest emission of pollutants limits;

Sulfur Oxides (SOx) – our vessels burn the required low sulfur content bunker fuel;

Ozone depleting substances – majority of our vessels' equipment do not contain ozone depleting substances and comply with all material aspects of MARPOL regulations pertaining to hazardous ozone depleting substances;

Ballast water – our vessels follow the latest requirements on ballast water exchange and operations.

Carbon Dioxide emission reduction – since February 2013 the Group has adopted the Ship Energy Efficiency Management Plan ("SEEMP"), a plan that individual vessel can follow and improve each vessel's energy efficiency through a series of procedures and efforts. Implementing of SEEMP will contribute towards reducing fuel consumption and carbon emission which influence the global environment. In 2017, targeted Carbon Dioxide emission had been reduced by 52,574 tons from 387,535 tons for the year 2016 to 334,961 tons for the year 2017 mainly due to the reduction of fleet size during the year 2017. In 2017, Vessels' Energy Efficiency Operating Indicator is about 10.8 grammes CO2 / MT.Mile, an increase of eight percent as compared to 2016.

We realize the importance of environmental stewardship and share the same environmental preservation objective with our crew and our people. In order to foster the environmental friendly practices in our vessels, we follow an internal safety management manual, which defines our objectives and commitments in complying with all applicable national and international rules and regulations, code and guidelines and standards recommended by IMO, flag states and other maritime industry organizations. These codes and guidelines and standards, together with our safety manual have been kept ashore and on our fleet and strictly followed by our team. We will closely monitor environmental regulations development to ensure compliance with all applicable environmental regulations in our business operation.

EXTERNAL ENVIRONMENT ISSUES *(Continued)*

We encourage management and employees to take part in environmental preservation with best efforts. We support all kinds of environmental friendly practices or energy saving ideas throughout our operations and dedicate to conserve water, energy, resources and materials by reduce, recycle and reuse in our office and to strengthen environment preservation consciousness as an integral part of our corporate culture.

We will publish a separate environmental, social and governance report on the websites of Hong Kong Exchanges and Clearing Limited and the Company no later than three months after the publication of this annual report.

RISK MANAGEMENT

The Group is principally exposed to various risks and uses appropriate measures to manage risks related to its business and operations.

Business and operational risks. The Group is exposed to the business and operational risks to the extent that certain changes may have a negative effect on the Group's cash flows and operations. These changes include the fluctuations in charter rates of the shipping market; the changes in demand and supply in the dry bulk market; the drop in vessel values which results in impairment loss of the Group's assets; the changes in operating expenses including bunker prices, crewing costs, drydocking and insurance costs; and the maintenance expenses which include costs of spare parts. The dry bulk market is highly volatile and market freight rates may fluctuate significantly within a short period of time. We will continue to adopt a flexible chartering policy and manage different business risk exposures by diversification of counterparties, sourcing reliable charterers from a wider range of ship brokers, and maintaining a good balance of geographical positioning of our fleet.

During the year, the Group took the opportunity to enter into five memorandums of agreement to dispose four Supramaxes and one Handysize at a total consideration of US$63,000,000 (approximately HK$491,400,000). The reduction of number of vessels is part of the risk management measures to lower the operational risk in the volatile and tough shipping environment, where freight rate earnings may or may not be able to cover the related running costs. Given the cost side of our business is rather rigid, we believe a readjustment of fleet size to reduce operational risk and store up additional liquidity is a prudent and responsible action of the Company. The disposal of the vessels would generate positive cash inflow to boost its working capital and liquidity, and eventually lower the Group's upcoming debt service payments and total indebtedness. Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position. We will continuously monitor the market as well as our operations going forward and will maintain a young and modern fleet, not ruling out any future disposal or acquisition of vessels and will make such decisions on an ad hoc basis to readjust our fleet size.

RISK MANAGEMENT *(Continued)*

Market risk. Market risk is the risk of operational loss or financial loss due to adverse changes in the market exposure. It also includes the adverse change of value of a financial instrument or portfolio of financial instruments when there are changes in market factors such as underlying interest rates, exchange rates, equity securities prices, debt securities prices or in the volatility of these factors. The Group's major market risk exposures on financial instruments mainly arise from bank borrowings committed on floating rate basis, and investments in equity and debt securities. In the ordinary course of business, the Group identifies these risks and mitigates their financial impact through the use of appropriate financial instruments in accordance with the Group's risk management policies. Additional information regarding the Group's use of financial instruments is disclosed in the "Financial Risk Management and Policies" in note 35 to the consolidated financial statements.

Credit risk. Credit risk is the risk of financial loss to the Group if the counterparty fails to discharge its contractual obligations under the terms of the financial instrument. The Group's exposures to credit risk principally arising from the trade receivables from charterers, a receivable from an interest-bearing note issued by a third party, investment in debt securities, and deposits or other financial assets placed with financial institutions. The potential loss is generally limited to the carrying amount of receivables and liquid assets as shown in the Group's consolidated statement of financial position. Credit risk also includes concentration risk of large exposures or concentrations to certain counterparties. The Group will, wherever possible, maintain a diversified customer portfolio or only enter into financial instruments with creditworthy counterparties. The Group regularly monitors the potential exposures to each significant counterparty and performs ongoing credit quality assessment and does not expect to incur material credit losses on managing the financial instruments.

Liquidity risk. Liquidity risk is the risk that the Group fails to meet its obligations associated with its financial liabilities. The Group takes conservative treasury policies to maintain sufficient cash reserves, readily realizable marketable equity and debt securities and obtain credit facilities from well-known financial institutions. The management actively involves in treasury management to ensure adequate cash flows to meet the expected liquidity requirements, working capital and capital expenditures needs. With the dry bulk market being extremely challenging, preserving optimal liquidity is of pinnacle importance. The Group will be working closely with lenders to devise ways to maximize liquidity position in case of the challenging freight environment will continue for longer than expected.

An intercreditor deed (the "ICD") forming between the Group and major lenders was executed in December 2016 and remained effective throughout the year 2017. 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.

Subsequent to the reporting date, the Group repaid all deferred installments during the forbearance period of HK$244,971,000 to respective lenders on 10 January 2018. Immediately after the repayment of all deferred installments, the Group's vessel mortgage loans dropped from HK$1,075,034,000 as of 31 December 2017 to HK$830,063,000 on 10 January 2018.

We will continuously review the prevailing market conditions of the shipping industry and monitor and adjust the Group's fleet profile as appropriate and make adjustments to its capital structure in the light of changes in economic conditions, recent market values of the Group's assets as well as the risk characteristics of the underlying assets.

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.

SIGNIFICANT LITIGATION UPDATE

Galsworthy Limited ("Galsworthy"), a subsidiary of the Group, was the disponent owners of the vessel "CANTON TRADER" which was later renamed "JIN KANG". On 17 June 2008, Galsworthy entered into a time charter with Parakou Shipping Pte Limited ("Parakou Shipping") for a period of approximately five years, with delivery not due until March 2009. On or about 13 March 2009, Parakou Shipping wrongfully refused to take delivery of the vessel and Galsworthy accepted their conduct as a repudiation of the charter, bringing it to an end.

The dispute was the subject of various proceedings, but principally in London arbitration. By Arbitration Awards dated 31 August 2010 and 13 May 2011, the London arbitrators upheld Galsworthy's claims and awarded damages of approximately US$41.25 million (approximately HK$321.75 million) plus interest and costs.

Parakou Shipping went into liquidation in 2011. Galsworthy has submitted a proof of debt in the liquidation in respect of its claim under the arbitration awards. Galsworthy has also been trying *inter alia* to enforce the arbitration awards against Parakou Shipping and its former directors and obtain compensation for its substantial losses. The present amount outstanding is in excess of US$60 million (approximately HK$468 million).

In one action Galsworthy has been funding Singapore proceedings commenced by the liquidator of Parakou Shipping against four of Parakou Shipping's former directors and related corporate entities (the "Defendants"), seeking to claw back assets into Parakou Shipping for distribution amongst the creditors. Judgment was obtained in February 2017 in a sum of SGD17 million (approximately HK$99.29 million) against the Defendants but the Defendants have now appealed the same. The Liquidator cross appealed to increase the judgment amount.

SIGNIFICANT LITIGATION UPDATE *(Continued)*

(For more information with regards to the February 2017 judgment issued by Singapore High Court, please visit http://www.singaporelaw.sg/sglaw/laws-of-singapore/case-law/free-law/high-court-judgments/22706-parakou-shipping-pte-ltd-in-liquidation-v-liu-cheng-chan-and-others)

On 17 January 2018, the Singapore Court of Appeal substantially dismissed the Defendants' appeal and found in the Liquidator's favour. Amongst other things, the Singapore Court of Appeal upheld the Liquidator's argument that the London arbitration, and a litigation subsequently filed in the Hong Kong courts seeking indemnity against any liability in the arbitration, were commenced and pursued by the directors in breach of their fiduciary duties. The Court considered that evidence had been disregarded which showed that the directors' key concern was to avoid a statutory clawback period. The Court also agreed that certain asset sales that had taken place in late 2008 were done while Parakou Shipping was insolvent and were not part of a restructuring, as claimed by the former directors of Parakou Shipping. The Court found that a company resolution advanced as evidence of a restructuring plan by the Defendants was in fact an "an afterthought" produced later than its date under "suspicious circumstances". The Liquidator is entitled to seek either damages or an account of profits arising from the relevant breaches.

(For more information with regards to the January 2018 judgment issued by Singapore Court of Appeal, please visit https://www.supremecourt.gov.sg/docs/default-source/module-document/judgement/ca55-ca56-ca57-ca58-2017--2018-sgca-3(ed)-parakoufinal1-17jan18-pdf.pdf)

Separately, in South Africa, actions relating to the two Arbitration Awards have been commenced against the vessel "PRETTY SCENE" in Durban. She was arrested in June 2016 by Galsworthy and remained under arrest (by Galsworthy and, from September 2017, the mortgagee) until she was sold at public auction on the mortgagee's application on 5 December 2017. The price obtained at auction was US$12 million (approximately HK$93.6 million) plus the cost of bunkers.

The proceeds of sale are now the subject of competing claims between the mortgagee and Galsworthy. In the meantime, appeals continue before the South African Courts in respect of applications filed by the owners of the vessel "PRETTY SCENE" (the "Owners") to set aside Galsworthy's two arrests. A counter-claim has also been brought by the Owners against Galsworthy, seeking damages in respect of losses said to arise from the arrests.

Finally, legal action has been commenced in Hong Kong against three of the former directors of Parakou Shipping for unlawful means conspiracy. An injunction order, freezing assets belonging to the directors of Parakou Shipping, has been obtained. The substantive action is at an early stage.

Management Discussion and Analysis

OUTLOOK

2017 represented an encouraging market for dry bulk shipping, with meaningful improvement in the freight market, as well as a healthy recovery in asset prices. Both the freight market and asset prices have rebounded from its trough to better levels. We continue to remain cautious nevertheless.

The difficulties faced by shipyards, buyers and financiers are all pointing towards a much reduced projected fleet growth. Newbuilding supply is currently at a low point by historical standards, and a more stable operating environment will be reached if this continues, time will tell and we remain patient to witness a healthier market ahead of us.

Our mindset remains to be prudent and continue to watch out for uncertainties in the global markets, in particularly the freight market, as well as the financial, commodity and currency markets. The global economy is currently stabilizing and moderate growth is witnessed as evidenced by the economic data from US and Europe. A continue growth in economic activity and hence international trade will benefit the Company. Simultaneously, uncertainties remain as to the unpredictable policies under the Trump administration and hence rising US protectionism, the future development of BREXIT for both EU and the UK, whether the current calm Korean Peninsula conflict will reignite, changes in technology as well as environmental policies causing changes in energy requirements will surely have global implications. Other unexpected events may occur and will inevitably introduce volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. We will continue to refrain from using freight, bunker, currencies or interest rate derivatives to minimize any unnecessary business risks.

We are in a relatively fortunate position where we have no capital expenditure commitment in relation to newbuilding contracts, as well as no charter-in contracts at this juncture. Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position, maintaining a young and modern fleet, and focus on the further reduction of debt to ensure we sail through stormy waters.

We will intimately monitor cargo flows in order to deploy our vessels efficiently to optimize revenue, secure and maximize income including potential recoveries from outstanding charter disputes, ensuring the maintenance of a high quality, safe fleet of vessels, and keeping costs in check to enhance our margins in order to remain competitive.

Over the longer term, we will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under different kinds of scenarios. We will exercise our best efforts to be one of the survivors, a trustworthy partner to those who support us, and be a long term preferred vessel provider to our customers.

Board of Directors and Senior Management

BOARD OF DIRECTORS

Mr. Ng Siu Fai, *Chairman*
Aged 61. A Director of the Company since 1991 and the chairman of Jinhui Shipping since 1994. As one of the two founders of the Group in 1987, Mr. Ng is responsible for strategic planning for the Group as well as overseeing all aspects of the Group's operations. Mr. Ng has extensive knowledge and working experience in the shipping industry as well as business management and China trade.

Mr. Ng is a brother of Messrs. Ng Kam Wah Thomas and Ng Ki Hung Frankie, both are directors of the Company (as disclosed hereinafter).

Mr. Ng Kam Wah Thomas, *Managing Director*
Aged 55. A Director of the Company since 1991 and the managing director of Jinhui Shipping since 1994. Mr. Ng is the other founder of the Group in 1987 and responsible for the Group's shipping activities. Mr. Ng has extensive knowledge and working experience in the shipping industry and business management. Mr. Ng holds a Bachelor's Degree in Arts from the University of Guelph in Canada and a Diploma in Management Studies, specializing in shipping, from the Plymouth Polytechnic in the United Kingdom.

Mr. Ng Ki Hung Frankie, *Executive Director*
Aged 64. A Director of the Company since 1991 and a director of Jinhui Shipping since 1994. Mr. Ng is responsible for the Group's investments and business management. Mr. Ng has extensive working experience in the shipping industry as well as business management and China trade. He is currently an independent non-executive director of Flat Glass Group Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 6865).

Ms. Ho Suk Lin, *Executive Director*
Aged 54. The Company Secretary of the Company since 1991, a Director of the Company since 1993 and a director and the company secretary of Jinhui Shipping since 1994. Ms. Ho is responsible for the Group's financial controls and secretarial matters. Ms. Ho has extensive working experience in finance and management. Prior to joining the Group in 1991, she worked in an international accounting firm. Ms. Ho is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. Cui Jianhua, *Independent Non-executive Director*
Aged 63. An Independent Non-executive Director of the Company since 1993. Mr. Cui has extensive experience gained from his management positions in various China related entities. He is currently the managing director of Poco International Co. Ltd. Mr. Cui holds a Master of Arts Degree from McMaster University, Canada.

Board of Directors and Senior Management

BOARD OF DIRECTORS *(Continued)*

Mr. Tsui Che Yin Frank, *Independent Non-executive Director*

Aged 60. An Independent Non-executive Director of the Company since 1994 and a non-executive director of Jinhui Shipping since 2006. Mr. Tsui has extensive experience in investment and banking industries and held senior management positions at various international financial institutions. Mr. Tsui has been re-designated from an executive director to a non-executive director of Melco International Development Limited with effect from 1 July 2017, and he is the chairman and non-executive director of MelcoLot Limited, both being companies listed in Hong Kong; and a director of Mountain China Resorts (Holding) Limited listed in Canada. Mr. Tsui graduated with a Bachelor's and a Master's Degree in Business Administration from the Chinese University of Hong Kong and with a Law Degree from the University of London. He holds a Doctoral Degree in Business Administration from The University of Newcastle, Australia. Mr. Tsui is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities and Investment Institute.

Mr. William Yau, *Independent Non-executive Director*

Aged 50. An Independent Non-executive Director of the Company since 2004 and a non-executive director of Jinhui Shipping since 2006. Mr. Yau has extensive experience gained from his senior management positions in various industries. He is at present a director of American Phil Textiles Limited and Forum Restaurant (1977) Limited. Mr. Yau also serves as director of Fujian Shishi Rural Commercial Bank Co., Ltd. and the Hong Kong Island Social Services Charitable Foundation Limited. Mr. Yau graduated with a Bachelor Degree of Computer Systems Engineering from the Carleton University in Canada.

SENIOR MANAGEMENT

Mr. Ching Wei Man Raymond, *Vice President*

Aged 43. Joined the Group in 2004 as Vice President, and is responsible for overseeing various activities for the Group, with particular focus in shipping related investments, corporate finance matters, investor relations, and new business development. Mr. Ching has extensive experience in shipping investments and in finance. Prior to joining the Group, he worked for a number of years in the investment banking division for a major US bank. Mr. Ching holds a Master of Engineering and a Master of Science (Finance), both from the Imperial College of Science, Technology and Medicine in London.

Mr. Shum Yee Hong, *Head of Management and Operation Department*

Aged 65. Joined the Group in 1992 as Head of Management and Operation Department, responsible for the ship operation activities of the Group. Mr. Shum has over 30 years of working experience in the shipping industry. Before joining the Group, Mr. Shum was a marine superintendent for an international shipping company.

Directors' Report

The Directors present their report and the audited consolidated financial statements of Jinhui Holdings and its subsidiaries for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are ship chartering and ship owning and the particulars of the principal subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing by the Group and an indication of likely future developments in the Group's business and the key performance indicators, can be found in "Management Discussion and Analysis" on pages 26 to 40 and "Highlights" on pages 7 to 10 of this Annual Report. This discussion forms part of this Directors' Report.

REGISTERED OFFICE

The Company is incorporated in Hong Kong and its registered office is 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 and the financial position of the Group as at 31 December 2017 are set out in the consolidated financial statements on pages 57 to 119.

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2017. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2017.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

RESERVES

Details of movements in reserves of the Group during the year are set out in the "Consolidated Statement of Changes in Equity" on page 60.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2017, calculated under Part 6 of the Companies Ordinance, amounted to HK$317,675,000 (2016: HK$302,318,000).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 9 and 10.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment, and investment properties of the Group during the year are set out in note 16 and note 17 to the consolidated financial statements respectively.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2017 are set out in note 25 to the consolidated financial statements.

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.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the top five largest customers in aggregate and the single largest customer of the Group accounted for approximately 62% and 23% respectively of the total revenue of the Group for the year.

Purchases attributable to the top five largest suppliers in aggregate and the single largest supplier of the Group are not disclosed as there was no purchase of the Group for the year.

At no time during the year have the Directors, their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's number of issued shares) had any interest in the Group's five largest customers.

CHARITABLE DONATIONS

During the year, the Group made charitable donations of HK$117,000.

RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution provident fund scheme and a mandatory provident fund scheme for employees in Hong Kong. Particulars of these schemes are set out in note 4.22 to the consolidated financial statements.

EVENTS AFTER THE REPORTING DATE

Save as disclosed in note 25 to the consolidated financial statements, there is no other significant events occurred after the reporting date and up to the date of signing this annual report.

DIRECTORS

The Directors who held office of the Company during the year and up to the date of this report were:

Executive Directors
Mr. Ng Siu Fai, *Chairman*
Mr. Ng Kam Wah Thomas, *Managing Director*
Mr. Ng Ki Hung Frankie
Ms. Ho Suk Lin

Independent Non-executive Directors
Mr. Cui Jianhua
Mr. Tsui Che Yin Frank
Mr. William Yau

In accordance with the Company's Articles of Association, Ms. Ho Suk Lin and Mr. Tsui Che Yin Frank will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Board has obtained annual written confirmations from all independent non-executive directors of the Company concerning their independence in accordance with Rule 3.13 of the Listing Rules. The Board believes that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Brief biographical details of the Directors and senior management are set out in "Board of Directors and Senior Management" on pages 41 and 42.

A full list of the directors of the Company's subsidiaries is available on the Company's website at www.jinhuiship.com.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of the Company's holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY, ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2017, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its specified undertakings, and associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions

(i) Directors' interests in shares of the Company

	Number of shares in the Company held and capacity				
Name	**Beneficial owner**	**Interest of spouse**	**Interest of controlled corporation**	**Total**	**Percentage of total issued shares of the Company**
Ng Siu Fai	21,214,000	15,140,000	205,325,568 *Note 1*	241,679,568	45.58%
Ng Kam Wah Thomas	5,909,000	–	136,883,712 *Note 2*	142,792,712	26.93%
Ng Ki Hung Frankie	3,000,000	–	–	3,000,000	0.57%
Ho Suk Lin	3,850,000	–	–	3,850,000	0.73%
Cui Jianhua	960,000	–	–	960,000	0.18%
Tsui Che Yin Frank	1,000,000	–	–	1,000,000	0.19%
William Yau	441,000	–	–	441,000	0.08%

Note 1: Mr. Ng Siu Fai is deemed to be interested in 205,325,568 shares of the Company through his interest in 51% of the issued capital of Fairline Consultants Limited.

Note 2: Mr. Ng Kam Wah Thomas is deemed to be interested in 136,883,712 shares of the Company held by his wholly-owned company, Timberfield Limited.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY, ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

(ii) Directors' interests in associated corporation

Name	Number of shares in Jinhui Shipping held and capacity: Beneficial owner	Interest of spouse	Interest of controlled corporation	Total	Percentage of total issued shares of Jinhui Shipping
Ng Siu Fai	3,737,128	982,793	61,231,240 *Note 1*	65,951,161	60.36%
Ng Kam Wah Thomas	864,900	–	260,000 *Note 2*	1,124,900	1.03%

Notes:

1. Mr. Ng Siu Fai is deemed to be interested in 61,231,240 shares of Jinhui Shipping through his interest in 51% owned company, Fairline Consultants Limited as Fairline Consultants Limited was the beneficial owner of 390,000 shares of Jinhui Shipping and, through Fairline Consultants Limited's controlling interests in the Company, is also deemed to be interested in 60,841,240 shares of Jinhui Shipping held by the Company.

2. Mr. Ng Kam Wah Thomas is deemed to be interested in 260,000 shares of Jinhui Shipping through his wholly-owned company, Timberfield Limited.

All the interests stated above represent long positions. No short positions were recorded in the register maintained by the Company under Section 352 of the SFO as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its specified undertakings, and associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded and kept in the register in accordance with Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

EQUITY-LINKED AGREEMENTS

At no time during the year was the Company, or any of its specific undertakings a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

LOANS TO OFFICERS

No loans to the Company's officers were made or outstanding at any time during the year or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, in accordance with the register kept under Section 336 of the SFO, the following persons (other than Directors or chief executives of the Company) had interests representing 5% or more of the issued share capital of the Company:

Long positions

Name of shareholders	Number of shares in the Company held and capacity: Beneficial owner	Interest of spouse	Interest of controlled corporation	Total	Percentage of total issued shares of the Company
Wong Yee Man Gloria	15,140,000	226,539,568 *Note 1*	–	241,679,568	45.58%
Ng Chi Lam Michael	–	–	205,325,568 *Note 2*	205,325,568	38.72%
Fairline Consultants Limited	205,325,568	–	–	205,325,568	38.72%
Timberfield Limited	136,883,712	–	–	136,883,712	25.81%
Bian Ximing	–	–	29,378,000 *Note 3*	29,378,000	5.54%
Zhongcai Merchants Investment Group Co., Ltd.	–	–	29,378,000 *Note 4*	29,378,000	5.54%
Zhongcai (Holdings) Limited	26,949,000	–	–	26,949,000	5.08%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Notes:

1. Ms. Wong Yee Man Gloria is deemed to be interested in 226,539,568 shares of the Company through the interest of her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).

2. Mr. Ng Chi Lam Michael is deemed to be interested in 205,325,568 shares of the Company through his interest in 49% of the issued capital of Fairline Consultants Limited (as disclosed hereinabove).

3. Mr. Bian Ximing is deemed to be interested in 29,378,000 shares of the Company through his interest in 65.32% of the issued capital in Zhongcai Merchants Investment Group Co., Ltd. (as disclosed in Note 4 below).

4. Zhongcai Merchants Investment Group Co., Ltd. is deemed to be interested in 29,378,000 shares of the Company through its subsidiaries, Zhongcai (Holdings) Limited and Hong Kong Zhongcai Finance Investment Limited, which are the beneficial owners of 26,949,000 shares and 2,429,000 shares of the Company respectively.

Save as disclosed herein, as at 31 December 2017, the Company has not been notified of any person (other than Directors or chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares was held by the public throughout the year and up to the date of this report.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for directors' and senior management's liabilities in respect of legal actions against its directors and senior management arising from corporate activities. The permitted indemnity provision is in force for the benefit of any directors as required by the Hong Kong Companies Ordinance throughout the year and remained in force up to the date of this report.

AUDITOR

The consolidated financial statements for the years ended 31 December 2015, 2016 and 2017 had been audited by Grant Thornton Hong Kong Limited. An ordinary resolution for the re-appointment of Grant Thornton Hong Kong Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting, subject to shareholders' approval.

CORPORATE GOVERNANCE

Jinhui Holdings recognizes the importance of good corporate governance to the Company's value creation. The corporate governance report of 2017 was set out in "Corporate Governance Report" on pages 11 to 25, which covered the required report contents as set out in Appendix 14 of the Listing Rules with the description of our conformance throughout the year and provided explanation of the reasons for the deviations.

For and on behalf of the Board

Ng Kam Wah Thomas
Managing Director

Hong Kong, 16 March 2018

Independent Auditor's Report

Grant Thornton
致同

To the members of
Jinhui Holdings Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Jinhui Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 119, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of impairment / reversal of impairment on owned vessels

The Key Audit Matters	How the matter was addressed in our audit
Refer to notes 4.12, 5 and 16 to the consolidated financial statements.	Our audit procedures included:
The Group's carrying amount of motor vessels and capitalised drydocking costs amounted to HK$1,942,006,000 as at 31 December 2017 and no impairment loss or reversal of impairment was recorded by the Group for the year.	– evaluated the process of assessments of impairment indicators and indications of potential reversal of impairment of owned vessels adopted by the management; and
The Group assesses at each reporting date (i) whether there are indicators of impairment and if there are such indicators, an estimate is made of the recoverable amount of owned vessels concerned; and (ii) whether there are indications that an impairment loss recognized in prior periods for owned vessels may no longer exist or may have decreased.	– assessed the reasonableness by comparing the current year actual performance and prior year projections and by reference to the market and industry information.
Management has exercised judgement in assessing whether there is any objective evidence of impairment and reversal of impairment loss of such owned vessels.	We obtained supportive evidence for the significant judgements and estimates on the assessments of impairment indicators and indications of reversal of impairment in respect of owned vessels.
Considering the significance of judgements and estimates and the financial impacts of the assessments of impairment indicators and indications of reversal of impairment in respect of the Group's owned vessels, we paid specific attention to this matter in our audit.	

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2017 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

16 March 2018

Chan Tze Kit
Practising Certificate No.: P05707

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	*7*	**573,663**	467,649
Other operating income	*8*	**105,449**	179,253
Interest income		**13,822**	16,542
Shipping related expenses		**(340,841)**	(424,831)
Staff costs	*9*	**(67,792)**	(78,622)
Impairment loss on assets held for sale	*12*	**(49,149)**	(354,602)
Impairment loss on owned vessels		**–**	(881,478)
Other operating expenses		**(62,928)**	(82,299)
Operating profit (loss) before depreciation and amortization	*11*	**172,224**	(1,158,388)
Depreciation and amortization		**(159,875)**	(274,206)
Operating profit (loss)		**12,349**	(1,432,594)
Finance costs		**(40,498)**	(39,902)
Loss before taxation		**(28,149)**	(1,472,496)
Taxation	*13*	**–**	–
Net loss for the year		**(28,149)**	(1,472,496)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		**2,450**	(228)
Total comprehensive loss for the year		**(25,699)**	(1,472,724)
Net loss for the year attributable to:			
Shareholders of the Company		**(13,631)**	(805,394)
Non-controlling interests		**(14,518)**	(667,102)
		(28,149)	(1,472,496)
Total comprehensive loss for the year attributable to:			
Shareholders of the Company		**(11,225)**	(805,542)
Non-controlling interests		**(14,474)**	(667,182)
		(25,699)	(1,472,724)
Loss per share	*15*		
Basic and diluted		**HK$(0.026)**	HK$(1.519)

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**2,088,363**	2,736,987
Investment properties	17	**171,050**	252,888
Available-for-sale financial assets	18	**27,431**	24,981
Intangible assets	19	**1,067**	1,111
		2,287,911	3,015,967
Current assets			
Inventories	20	**454**	1,833
Trade and other receivables	21	**132,986**	131,644
Financial assets at fair value through profit or loss	22	**208,572**	391,868
Pledged deposits	33	**50,864**	50,663
Bank balances and cash	23	**610,961**	240,872
		1,003,837	816,880
Current liabilities			
Trade and other payables	24	**176,856**	196,093
Secured bank loans	25	**477,215**	211,339
		654,071	407,432
Net current assets		**349,766**	409,448
Total assets less current liabilities		**2,637,677**	3,425,415
Non-current liabilities			
Secured bank loans	25	**599,819**	1,446,577
Net assets		**2,037,858**	1,978,838

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	26	**381,639**	381,639
Reserves	27	**795,959**	792,247
		1,177,598	1,173,886
Non-controlling interests		**860,260**	804,952
Total equity		**2,037,858**	1,978,838

Approved and authorized for issue by the Board of Directors on 16 March 2018

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Attributable to shareholders of the Company							
	Issued capital HK$'000	Other asset revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Reserve for available-for-sale financial assets HK$'000	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	381,639	35,523	26,259	14,995	1,521,012	1,979,428	1,472,134	3,451,562
Comprehensive loss								
Net loss for the year	–	–	–	–	(805,394)	(805,394)	(667,102)	(1,472,496)
Other comprehensive loss								
Change in fair value of available-for-sale financial assets	–	–	–	(148)	–	(148)	(80)	(228)
Total comprehensive loss for the year	–	–	–	(148)	(805,394)	(805,542)	(667,182)	(1,472,724)
Transaction with owners								
Lapse of employee share options	–	–	(26,259)	–	26,259	–	–	–
At 31 December 2016	381,639	35,523	–	14,847	741,877	1,173,886	804,952	1,978,838
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**

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	*28*	**348,774**	316,894
Interest paid		**(41,487)**	(39,978)
Net cash from operating activities		**307,287**	276,916
INVESTING ACTIVITIES			
Interest received		**16,245**	19,060
Increase in bank deposits with more than three months to maturity when placed		**(104,520)**	–
Dividend income received		**4,059**	6,197
Purchase of property, plant and equipment		**(38,810)**	(38,937)
Purchase of investment properties		**–**	(6,668)
Proceeds from disposal of property, plant and equipment		**435**	530
Proceeds from disposal of investment properties, net		**96,445**	–
Proceeds from disposal of assets held for sale, net		**480,792**	494,735
Net cash from investing activities		**454,646**	474,917
FINANCING ACTIVITIES			
New secured bank loans		**30,000**	–
Repayment of secured bank loans		**(610,882)**	(818,451)
(Increase) Decrease in pledged deposits		**(201)**	30,274
Proceeds from rights issue of a subsidiary, net		**84,719**	–
Net cash used in financing activities		**(496,364)**	(788,177)
Net increase (decrease) in cash and cash equivalents		**265,569**	(36,344)
Cash and cash equivalents at 1 January		**240,872**	277,216
Cash and cash equivalents at 31 December	*23*	**506,441**	240,872

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

1. GENERAL INFORMATION

Jinhui Holdings Company Limited is a limited liability company incorporated and domiciled in Hong Kong. The registered office of the Company is at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong. The Company's shares are listed on the Hong Kong Stock Exchange.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the businesses of ship chartering and ship owning which are carried out internationally.

The consolidated financial statements for the year ended 31 December 2017 were approved for issue by the Board on 16 March 2018.

2. STATEMENT OF COMPLIANCE

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

3. ADOPTION OF NEW OR AMENDED HKFRSs

In current year, the Group has applied for the first time, the following amendments and interpretations to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2017.

Amendments to HKAS 7	Statement of Cash Flows: Disclosure Initiative
Amendments to HKAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities

3. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

Other than as noted below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation table between the opening and closing balances in the statement of financial position for liabilities arising from financing activities is set out in note 29. In accordance with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 29, the application of these amendments has had no impact on the Group's consolidated financial statements.

At the date of authorization of these consolidated financial statements, certain other new or amended HKFRSs have been published but are not yet effective, and have not been early adopted by the Group. The management anticipated that all pronouncements will be adopted in the Group's accounting policy for the first accounting period beginning after the effective dates of the pronouncements. Information on these new pronouncements that are expected to be relevant to the Group's consolidated financial statements is provided below.

HKFRS 9	Financial Instruments [1]
HKFRS 15	Revenue from Contracts with Customers [1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers [1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [1]
Amendments to HKAS 40	Transfers of Investment Property [1]
HKFRS 16	Leases [2]

Notes:

1. Effective for annual periods beginning on or after 1 January 2018
2. Effective for annual periods beginning on or after 1 January 2019

The management is currently assessing the possible impact of the new or amended standards on the Group's results and financial position in the first year of application. Certain other new standards and interpretations have also been issued but are not yet effective and are not expected to have material impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

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 expected to be 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.

(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.

The directors expect all trade receivables, loans and other receivables, pledged deposits, and bank balances and cash to 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.

A number of available-for-sale financial assets are likely to be reclassified to the financial assets at fair value through OCI on 1 January 2018, as the cash flows are not solely payments of principal and interest and do not meet the criteria to be classified as at amortized cost in accordance with HKFRS 9. The Group will apply HKFRS 9 on 1 January 2018 and will reclassify its financial instruments into the appropriate categories, which resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. Any subsequent change in fair value will be transferred to the reserve for financial assets at fair value through OCI within equity.

3. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

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.

The directors expect all investments in listed equity securities and listed debt securities to 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 will 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 general hedge accounting requirements

HKFRS 9 introduces new general hedge accounting requirements and enhances disclosure requirements about an entity's risk management activities. The directors anticipate the adoption of new general hedge accounting requirements will not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on the analysis of the Group's financial instruments as at 31 December 2017.

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 may not an increase in provision for trade receivables under the expected credit loss model but the directors expect there will not have significant impact on impairment of financial assets under the new expected credit loss model.

3. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

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

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 the new HKFRS 15. Hence, the application of the new HKFRS 15 will not have significant impact on the recognition of the Group's revenue. For hire income under time charter, as it contains a lease component, it is accounted for as operating lease and as lessor, hire income is recognized on a straight-line basis over the period of each time charter contract.

The directors anticipate the adoption of HKFRS 15 will not have significant impact on amounts reported but may have additional disclosures made in the Group's consolidated financial statements.

3. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

HKFRS 16 Leases

HKFRS 16 will replace HKAS 17 "Leases" upon the effective date on 1 January 2019 and the new HKFRS 16 require a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-to-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. In respect of lessor accounting, HKFRS 16 substantially carry forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. As ship owners and lessors, the Group continues to classify its time charter contracts as operating lease as it contains a lease component, and for hire income under time charter, hire income is recognized on a straight-line basis over the period of each time charter contract. The directors anticipate the adoption of HKFRS 16 will not have significant impact on the Group's consolidated financial statements.

Certain other new or amended standards have also been issued but are not yet effective and are not expected to have material impact on the Group's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis modified by revaluation of a leasehold land and buildings and except for: investment properties; financial assets at fair value through profit or loss and available-for-sale financial assets that are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

4.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date.

4.4 Non-controlling interests

Non-controlling interests represent the equity on consolidated subsidiaries not attributable directly or indirectly to the shareholders of the Company.

Non-controlling interests in consolidated subsidiaries are presented in the consolidated statement of financial position within equity, separately from the equity attributable to shareholders of the Company. Non-controlling interests in the results of the Group are presented separately in the consolidated statement of profit or loss and other comprehensive income as an allocation of the Group's net profit and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

All transactions with non-controlling interests that do not result in a loss of control in a subsidiary are accounted for as transaction between equity holders, whereby adjustments are made to the amounts of controlling interests within equity to reflect the change in relative interests.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Foreign currency translation

The consolidated financial statements are presented in Hong Kong Dollars which is the functional and presentation currency of the Company. The functional and presentation currencies of the Company's subsidiaries are either in United States Dollars or Hong Kong Dollars.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates ruling at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognized in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong Dollars. Assets and liabilities have been translated into Hong Kong Dollars at the closing rates at the reporting date. Income and expenses have been converted into Hong Kong Dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any significant differences arising from this translation procedure are recognized in other comprehensive income and accumulated separately in the translation reserve in equity.

4.6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Revenue from the operations of ship chartering or owning business 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. Hire income from time charter is accounted for as operating lease and is recognized on a straight-line basis over the period of each time charter contract.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Borrowing costs

Borrowing costs incurred for the acquisition or construction of any qualifying asset are capitalized during the period of time that is required to complete or prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed as incurred.

The capitalization of borrowing costs as part of the qualifying assets commence when borrowing costs are being incurred and the activities that are necessary to prepare the asset for its intended use are in progress. Capitalization of borrowing costs is suspended or ceased when substantially all activities necessary to prepare the qualifying assets for its intended use are interrupted or completed.

4.8 Income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and / or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. It is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset is realized, provided these tax rates have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and tax losses available to be carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

For investment properties measured using the fair value model in accordance with the accounting policy below, the measurement of the related deferred tax asset or liability reflects the tax consequences of recovering the carrying amount of the investment properties entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets or liabilities are not recognized if the temporary differences arise from goodwill or from initial recognition (other than in a business combination) of assets or liabilities in a transaction that affects neither taxable nor accounting profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Income tax *(Continued)*

Changes in deferred tax assets or liabilities are recognized in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

4.9 Property, plant and equipment

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Improvements are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures incurred in restoring assets to their normal working conditions and other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Motor vessels are stated at cost less accumulated depreciation and impairment loss.

Drydocking and special survey costs are capitalized and depreciated over the drydocking cycle of two to three years on a straight-line basis. Upon disposal of vessels, any relevant carrying amounts not yet written off are transferred to profit or loss. Vessel repairs and survey costs are expensed during the financial period in which they are incurred.

Land held under operating leases and buildings thereon (where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease) are stated at cost less accumulated depreciation and impairment loss, except for a leasehold land and building which is stated at valuation made in 1994 by a professional valuer on an open market existing use basis less accumulated depreciation and impairment loss.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" issued by the HKICPA from the requirement to make regular revaluation of a leasehold land and building which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of the entire class of leasehold land and buildings is carried out.

All other property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

Depreciation is provided to write-off the cost of motor vessels over their estimated useful lives, after taking into account their estimated residual values, using the straight-line method of 25 years from the date of the initial delivery from the shipyards.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Property, plant and equipment *(Continued)*

Estimated residual value is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, as if the asset was already of the age and in the conditions expected at the end of its useful life. The Group estimates the residual values of motor vessels based on the light-weight tonnes of each vessel multiply by market demolition metal price per ton.

Depreciation is provided to write-off the cost or valuation of other property, plant and equipment as specified below over their estimated useful lives, after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	over the shorter of unexpired term of lease or 3% per annum
Leasehold improvement	20% – 30% per annum
Utility vessels, furniture and equipment	6% – 25% per annum

The gain or loss arising on retirement or disposal is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.10 Investment properties

Investment properties are land and / or buildings which are owned or held under a leasehold interest to earn rental income and / or for capital appreciation.

When the Group holds a property interest under an operating lease to earn rental income and / or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value which is determined by external professional valuers with sufficient experience with respect to both the location and category of the investment property and it reflects the prevailing market conditions at the reporting date.

Gain or loss arising from either changes in the fair value or the sale of an investment property is recognized in profit or loss in the period in which they arise.

The change in fair value arisen from reclassification from leasehold land and buildings to investment properties will be credited to other asset revaluation reserve. Upon disposal of such properties, the amount previously recognized in other asset revaluation reserve will be transferred to retained profits.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Intangible assets

Intangible assets acquired separately are recognized initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and any impairment loss. Amortization for intangible assets is provided on a straight-line basis over the following estimated useful lives:

Club entrance fee	36 years
Berth license	10 years

Amortization commences when the intangible assets are available for use.

4.12 Impairment of non-financial assets

Property, plant and equipment and intangible assets are subject to impairment testing whenever there are indications that the assets' carrying amounts may not be recoverable.

An impairment loss is recognized as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions, less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows that are largely independent of the cash flows from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash generating unit). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

Impairment loss recognized for cash generating unit is allocated to reduce the carrying amounts of the assets in the cash generating unit on pro rata basis. In allocating the impairment loss, the carrying amount of an asset will not be reduced below the highest of its fair value less costs of disposal, value in use or zero.

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in prior years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Inventories

Inventories are carried at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, and is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

4.14 Financial assets

Financial assets are recognized when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. When financial assets are recognized initially, they are measured at fair value, plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets have expired or substantially all the risks and rewards of ownership have been transferred.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. The Group classifies its financial assets into the following categories:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit-taking.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value determined by reference to active market transactions or by reference to price quotations for equivalent financial instruments in active markets provided by financial institutions. Any changes in fair value excluding any dividend and interest income are recognized in profit or loss. Dividend income from financial assets at fair value through profit or loss is recognized when the right to receive dividend is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment loss. Amortized cost is calculated taking into account any discount or premium, transaction cost on acquisition and includes fees paid that form an integral part of the effective interest rate. Trade and other receivables, bank deposits and bank balances are classified as loans and receivables. Interest income from loans and receivables are recognized on a time proportion basis using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group has the intention to hold assets in this category for the foreseeable future.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from changes in the fair value excluding any dividend and interest income is recognized in other comprehensive income and accumulated separately in the reserve for available-for-sale financial assets in equity, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized is reclassified from equity to profit or loss. Upon disposal, the cumulative gain or loss previously recognized in other comprehensive income and accumulated in equity is transferred to profit or loss.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment loss at each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets other than those at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate computed at initial recognition.

When the recovery of loans and receivables carried at amortized costs is considered impaired, the impairment loss for loans and receivables are recorded using an allowance account. The amount of the loss on loans and receivables is recognized in profit or loss of the period in which the impairment occurs. When the Group is satisfied that recovery of loans and receivables is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recovery of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recovery of amounts previously written off directly are recognized in profit or loss.

When there is objective evidence that available-for-sale financial assets carried at costs are impaired, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment loss in respect of available-for-sale investment in equity securities carried at cost recognized in profit or loss in any interim period or prior years are not reversed in subsequent periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Assets held for sale

Non-current assets are classified as held for sale when:

(a) they are available for immediate sale;
(b) management is committed to a plan to sell;
(c) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
(d) an active programme to locate a buyer has been initiated;
(e) the asset is being marketed at a reasonable price in relation to its fair value; and
(f) a sale is expected to complete within 12 months from the date of classification

Non-current assets classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale and fair value less costs of disposal. Following their classification as held for sale, the assets are not depreciated. An impairment loss is recognized as an expense immediately for the amount by which the asset's carrying amount prior to being classified as held for sale exceeds its fair value less costs of disposal. The gain or loss of assets being disposed of during the year are included in the statement of profit or loss and other comprehensive income up to the date of disposal.

4.16 Financial liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

The Group classifies its financial liabilities into the following categories:

Trade and other payables

Trade and other payables are recognized initially at fair values and subsequently measured at amortized costs, using the effective interest method.

Borrowings

Borrowings are recognized initially at fair values, net of transaction costs incurred. Borrowings are subsequently stated at amortized costs. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the reporting date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Fair value measurement

For financial reporting purposes, fair value measurement is categorized into Level 1, 2 and 3 of the three-level fair value hierarchy as defined under HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured using valuation techniques in which all significant inputs other than quoted prices included within Level 1 are directly or indirectly based on observable market data.

Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data.

4.18 Financial guarantee issued

A financial guarantee contract is a contract that requires the guarantor to make specified payments to reimburse the holder of the guarantee for a loss the holder incurs because a specified party fails to make payment when due in accordance with the terms of a debt or other instrument.

Where an entity within the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of financial guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the financial guarantee initially recognized as deferred income is amortized as income in profit or loss over the term of the guarantee from the date of issuance of financial guarantee. In addition, provisions are recognized if and when it becomes probable that the holder of the financial guarantee will call upon the Group under the guarantee and the amount of that claim to the Group is expected to exceed the current carrying amount that represented the amount initially recognized less accumulated amortization, where appropriate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less. For the purpose of statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.20 Share capital

Ordinary shares are classified as equity. Share capital is recognized at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares to the extent they are incremental costs directly attributable to the equity transaction.

4.21 Employee share-based compensation

The Company operates a share option scheme for remuneration to eligible persons including Directors, officers and employees of the Group.

All employee services received in exchange for the grant of any share options are measured at fair values. These are indirectly determined by reference to the share options awarded. Their values are appraised at the grant dates and exclude the impact of any non-market vesting conditions.

Employee share-based compensation is recognized as an expense in profit or loss with a corresponding increase in employee share-based compensation reserve. If vesting periods or other vesting conditions apply, the expense is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognized in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised or lapsed, the amount previously recognized will continue to be held in employee share-based compensation reserve. At the time when all share options are still not exercised at the expiry date, the amount previously recognized in employee share-based compensation reserve will be transferred to retained profits.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Employee benefits

Retirement benefits schemes

The Group operates a defined contribution provident fund scheme and a mandatory provident fund scheme. The assets of the schemes are held separately from those of the Group in their respective schemes managed by an independent trustee. The contributions to retirement benefits schemes charged to profit or loss represent contributions payable to the funds by the Group at the rates specific in the rules of the schemes.

The contributions to the defined contribution provident fund scheme vest in employees according to the vesting percentage set out in the scheme. When employees leave the defined contribution provident fund scheme prior to being vested fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. On the other hand, the contributions to the mandatory provident fund scheme vest immediately and fully in employees once the contributions are payable by the Group. There is no forfeited contribution when employees leave the mandatory provident fund scheme.

Short term employee benefits

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognized until the time of leave.

4.23 Leases

An arrangement, comprising a transaction or series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership of the assets to the Group are classified as operating leases, with the following exceptions:

– property held under operating lease that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.23 Leases *(Continued)*

Operating lease (as lessee)

Where the Group uses assets under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms.

Assets leased out under operating leases (as lessor)

Where the Group leases out assets under operating leases, such assets are measured and presented according to the nature of the asset.

Rental income receivable from operating leases is recognized in profit or loss on a straight-line basis over the lease terms.

Hire income applicable to operating leases in respect of time charters are recognized as revenue on time basis over the period of each lease.

Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net income receivable from the lease.

4.24 Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are not recognized but are disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow of economic benefits occurs, and an outflow is probable, it will then be recognized as a provision.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.25 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint venture of the same third entity.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4.26 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The Group has regarded the business of ship chartering and ship owning as the only dominant reportable operating segment to be reported to the chief operating decision maker. Thus, no analysis of segment revenue, segment results, segment assets and segment liabilities are presented in the consolidated financial statements for the year 2017 and 2016.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The significant estimates and judgements made in the process of applying the Group's accounting policies are discussed below.

Impairment of owned vessels

In determining whether owned vessels are impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in assessing whether there is any objective evidence of impairment. In making the judgement, the Group evaluates the current operating environment fairly closely, tracks the previous cashflow forecast demonstrating our expectation is very much in line with the market and we consider the slow recovering global growth with supply and demand of vessels is reaching closer to equilibrium as we expected and factored in last impairment assessment in 2016, and found no new indications that suggest any significant change in estimates for impairment assessment or any significant change in our forward expectations of forward risks of the operating environment, and hence, in the absence of indication, there is no need for further impairment or reversal of impairment on owned vessels.

Impairment of trade receivables

In determining whether trade receivables is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in assessing whether there is any objective evidence of impairment. In making the judgement, the Group evaluates if there is any event that comes to the attention of the Group such as significant financial difficulty of the charterers; whether there is any breach of charter contract, such as a default or delinquency in hire payments; whether it becoming probable that the charterers will enter bankruptcy or other financial reorganization; or whether there is any significant change in the technological, market, economic or legal environment that has an adverse effect on the charterers.

6. SEGMENT INFORMATION

The Group is principally engaged in the business of ship chartering and ship owning and the management has regarded this business as the only dominant reportable operating segment to be reported to the chief operating decision maker. Thus, no analysis of segment revenue, segment results, segment assets and segment liabilities are presented in the consolidated financial statements for the years 2017 and 2016.

While the Group's revenue was mainly attributable to its chartering operations which are carried out internationally and cannot be attributable to any particular geographical location, no analysis of revenue from chartering freight and hire business by geographical area is presented in the consolidated financial statements.

6. SEGMENT INFORMATION *(Continued)*

The Group's non-current assets mainly consist of property, plant and equipment. Property, plant and equipment mainly comprised of the Group's motor vessels. As the Group's motor vessels are operated across different geographical regions, it is meaningless to identify the specific geographical locations of the motor vessels at the reporting date. While majority of the Group's non-current assets cannot be attributable to any particular geographical location, no analysis of non-current assets by geographical area is presented in the consolidated financial statements.

7. 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:

	2017	2016
	HK$'000	*HK$'000*
Chartering freight and hire income:		
Hire income under time charters	**549,946**	447,811
Freight income under voyage charters	**23,717**	19,838
	573,663	467,649

Information about major charterers

Revenue of HK$134,010,000 and HK$96,642,000 were derived from two charterers that contributed 23% and 17% respectively to the Group's revenue for the year 2017. During year 2016, revenue of HK$82,929,000 and HK$81,981,000 were derived from two charterers that contributed both 18% to the Group's revenue for the year 2016.

8. OTHER OPERATING INCOME

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.

Other operating income for the year 2016 mainly included change in fair value of investment properties of HK$53,350,000 and settlement income of HK$43,841,000 from charterers in relation to repudiation claims.

9. STAFF COSTS

	2017	2016
	HK$'000	*HK$'000*
Salaries and other benefits	**64,861**	75,127
Contributions to retirement benefits schemes	**2,931**	3,495
	67,792	78,622

10. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Emoluments of the Directors, including the chief executives [1] of the Company for the years 2017 and 2016 are set out below:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
2017					
Executive Directors					
Ng Siu Fai [2]	**1,933**	**12,719**	**1,800**	**677**	**17,129**
Ng Kam Wah Thomas [2]	**1,933**	**12,504**	**1,800**	**677**	**16,914**
Ng Ki Hung Frankie [2]	**1,326**	**2,577**	**–**	**72**	**3,975**
Ho Suk Lin [2]	**468**	**1,694**	**–**	**97**	**2,259**
Independent Non-executive Directors					
Cui Jianhua	**212**	**–**	**–**	**–**	**212**
Tsui Che Yin Frank [2]	**441**	**–**	**–**	**–**	**441**
William Yau [2]	**372**	**–**	**–**	**–**	**372**
	6,685	**29,494**	**3,600**	**1,523**	**41,302**
2016					
Executive Directors					
Ng Siu Fai [2]	1,933	18,045	1,600	1,001	22,579
Ng Kam Wah Thomas [2]	1,933	17,832	1,600	1,001	22,366
Ng Ki Hung Frankie [2]	1,326	2,501	–	72	3,899
Ho Suk Lin [2]	468	1,705	–	97	2,270
Independent Non-executive Directors					
Cui Jianhua	212	–	–	–	212
Tsui Che Yin Frank [2]	441	–	–	–	441
William Yau [2]	372	–	–	–	372
	6,685	40,083	3,200	2,171	52,139

Notes:

1. Chief executives of the Company are Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas, who are responsible under the immediate authority of the Board for the conduct of the Company.

2. Emoluments of the Directors were borne by the Company and its subsidiaries for their service as directors of the Company and its subsidiaries.

10. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Details of remuneration to senior management

Emoluments of senior management (non-director) of the Company are within the following bands:

	Number of individuals	
	2017	2016
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1
HK$5,500,001 to HK$6,000,000	**1**	1
	3	3

(c) The five highest paid individuals

The five highest paid individuals included four (2016: four) Directors whose details of emoluments are presented on page 85. Emoluments of the remaining one (2016: one) highest paid individual fall within the band from HK$5,500,001 to HK$6,000,000 (2016: from HK$5,500,001 to HK$6,000,000) and his aggregate emoluments were as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries and other benefits	**5,570**	5,538
Contributions to retirement benefits schemes	**18**	18
	5,588	5,556

11. OPERATING PROFIT (LOSS) BEFORE DEPRECIATION AND AMORTIZATION

This is stated after charging / (crediting):

	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration	**1,933**	1,847
Hire payments under time charters	**9,582**	–
Operating lease payments in respect of premises	**1,560**	1,785
Net loss (gain) on financial assets at fair value through profit or loss		
Realized loss (gain) on financial assets at fair value through profit or loss	**(19,655)**	15,900
Unrealized loss (gain) on financial assets at fair value through profit or loss	**(18,685)**	3,189
Interest income in respect of:		
Financial assets at fair value through profit or loss	**(7,630)**	(13,297)
Deposits with banks and other financial institutions	**(4,043)**	(914)
Interest-bearing note	**(2,149)**	(2,331)
Dividend income	**(4,521)**	(6,672)
Net gain on disposal / write-off of property, plant and equipment	**(363)**	(684)
Net gain on disposal of investment properties	**(27)**	–
Net gain on disposal of assets held for sale	**(2,410)**	–
Change in fair value of investment properties	**(14,580)**	(53,350)
Reversal of impairment loss on trade and other receivables	**(461)**	(389)
Net exchange loss (gain)	**(131)**	306
Gross rental income from operating leases on investment properties	**(3,465)**	(5,486)
Outgoings in respect of investment properties	**111**	163
Bad debts written off	**–**	151

12. IMPAIRMENT LOSS ON ASSETS HELD FOR SALE

During the year, the Group took the opportunity to enter into five memorandums of agreement to dispose four Supramaxes and one Handysize at a total consideration of US$63,000,000 (approximately HK$491,400,000). Five vessels were delivered to the respective buyers and the disposals were completed in April and June 2017. The disposal of these five vessels would enable the Group to further enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio. Given the unpredictable and often high earnings volatility in our industry, the disposal of the vessels can further reduce our debt service pressure from both principal repayments and interest payments in an expected rising interest rate environment. For financial reporting purposes, these five disposed vessels were reclassified to "Assets held for sale" in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale (disposed vessels) of HK$49,149,000 was recognized in 2017 upon reclassification to assets held for sale.

For the year 2016, the Group entered into eight memorandums of agreement to dispose two Panamaxes, five Supramaxes and one Handymax at a total consideration of US$65,100,000 (approximately HK$507,780,000). For financial reporting purposes, these eight disposed vessels were reclassified to "Assets held for sale" in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale (disposed vessels) of HK$354,602,000 was recognized in 2016 upon reclassification to assets held for sale.

13. TAXATION

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

Reconciliation between taxation charge and accounting loss at the applicable tax rates:

	2017	2016
	HK$'000	*HK$'000*
Loss before taxation	**(28,149)**	(1,472,496)
Income tax at the applicable tax rates in the tax jurisdictions concerned	**(1,610)**	(4,138)
Non-deductible expenses	**2,713**	3,515
Tax exempted revenue	**(6,985)**	(10,311)
Unrecognized tax losses	**9,584**	11,145
Unrecognized temporary differences	**1,807**	(122)
Utilization of previously unrecognized tax losses	**(5,509)**	(89)
Taxation charge for the year	**–**	–

The applicable tax rates are the weighted average of current rates of taxation ruling in the relevant jurisdictions.

14. DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2017 (2016: nil).

15. LOSS PER SHARE

Basic and diluted loss per share were calculated on the net loss attributable to shareholders of the Company for the year 2017 of HK$13,631,000 (2016: HK$805,394,000) and the weighted average number of 530,289,480 (2016: 530,289,480) ordinary shares in issue during the year.

There was no potentially dilutive ordinary shares in existence for the year ended 31 December 2017. The basic loss per share equals to the diluted loss per share.

Diluted loss per share for the year ended 31 December 2016 was the same as basic loss per share, the impact of share options granted under the Company's share option scheme would have an anti-dilutive effect.

16. PROPERTY, PLANT AND EQUIPMENT

	Motor vessels [1] and capitalized drydocking costs *HK$'000*	Leasehold land and buildings *HK$'000*	Leasehold improvement, utility vessels, furniture and equipment *HK$'000*	Total *HK$'000*
Cost or valuation				
At 1 January 2016	11,074,940	282,326	62,455	11,419,721
Reclassification to assets held for sale [3]	(2,584,960)	–	–	(2,584,960)
Additions	38,310	–	818	39,128
Disposals / write-off	(38,364)	–	(713)	(39,077)
At 31 December 2016	8,489,926	282,326	62,560	8,834,812
Reclassification to assets held for sale [3]	(1,685,048)	–	–	(1,685,048)
Additions	38,776	–	34	38,810
Disposals / write-off	(40,624)	–	(1,140)	(41,764)
At 31 December 2017	**6,803,030**	**282,326**	**61,454**	**7,146,810**
Accumulated depreciation and impairment loss				
At 1 January 2016	6,543,035	133,531	40,402	6,716,968
Reclassification to assets held for sale [3]	(1,735,623)	–	–	(1,735,623)
Charge for the year	261,266	8,715	4,061	274,042
Eliminated on disposals / write-off	(38,364)	–	(676)	(39,040)
Impairment loss recognized [2]	881,478	–	–	881,478
At 31 December 2016	5,911,792	142,246	43,787	6,097,825
Reclassification to assets held for sale [3]	(1,157,517)	–	–	(1,157,517)
Charge for the year	147,373	8,715	3,743	159,831
Eliminated on disposals / write-off	(40,624)	–	(1,068)	(41,692)
At 31 December 2017	**4,861,024**	**150,961**	**46,462**	**5,058,447**
Net book value				
At 31 December 2017	**1,942,006**	**131,365**	**14,992**	**2,088,363**
At 31 December 2016	2,578,134	140,080	18,773	2,736,987

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of the cost or valuation of property, plant and equipment by category is as follows:

	Motor vessels and capitalized drydocking costs	Leasehold land and buildings	Leasehold improvement, utility vessels, furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2017				
At cost	**6,803,030**	**229,326**	**61,454**	**7,093,810**
At professional valuation in 1994	**–**	**53,000**	**–**	**53,000**
	6,803,030	**282,326**	**61,454**	**7,146,810**
2016				
At cost	8,489,926	229,326	62,560	8,781,812
At professional valuation in 1994	–	53,000	–	53,000
	8,489,926	282,326	62,560	8,834,812

Had the Group's leasehold land and buildings been carried at cost less accumulated depreciation and impairment loss, the carrying amount would have been HK$122,332,000 (2016: HK$129,883,000) at the reporting date.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

1. All motor vessels are held for use under operating leases.

2. Impairment loss recognized:

   With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels in the impairment review, the Group's owned vessels' recoverable amounts which were determined based on value in use and were significantly less than their respective carrying amounts at end of 2016. Based on the results of the impairment assessment of owned vessels as at 31 December 2016, the carrying amounts of owned vessels exceeded their respective recoverable amounts of HK$2,578,134,000 which were determined based on value in use. Accordingly, an impairment loss of HK$881,478,000 on owned vessels was recognized at end of 2016. The value in use calculation of owned vessels was appraised by an independent qualified appraisal firm. For the year 2017, no impairment loss on owned vessels was recognized.

3. Reclassification to assets held for sale:

   During the year, the Group took the opportunity to enter into five memorandums of agreement to dispose four Supramaxes and one Handysize at a total consideration of US$63,000,000 (approximately HK$491,400,000). Five vessels were delivered to the respective buyers and the disposals were completed in April and June 2017. The disposal of these five vessels would enable the Group to further enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio. Given the unpredictable and often high earnings volatility in our industry, the disposal of the vessels can further reduce our debt service pressure from both principal repayments and interest payments in an expected rising interest rate environment. For financial reporting purposes, these five disposed vessels were reclassified to "Assets held for sale" in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale (disposed vessels) of HK$49,149,000 was recognized in 2017 upon reclassification to assets held for sale.

   For the year 2016, the Group entered into eight memorandums of agreement to dispose two Panamaxes, five Supramaxes and one Handymax at a total consideration of US$65,100,000 (approximately HK$507,780,000). For financial reporting purposes, these eight disposed vessels were reclassified to "Assets held for sale" in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale (disposed vessels) of HK$354,602,000 was recognized in 2016 upon reclassification to assets held for sale.

17. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	HK$'000
At 1 January	252,888	192,870
Additions	–	6,668
Disposals	(96,418)	–
Change in fair value	14,580	53,350
At 31 December	171,050	252,888

The Group's investment properties were stated at fair value and comprised of premises and car parks held under operating leases to earn rentals or held for capital appreciation, or both. These premises and car parks are held under long term leases and located in Hong Kong.

The Group entered into sales and purchases agreements with a third party in 2016 to dispose of two investment properties located in Hong Kong at a total consideration of HK$97,500,000, with carrying amount of HK$96,418,000 as at 31 December 2016. The transactions were completed in 2017 without any material gain or loss being recognized.

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.

17. INVESTMENT PROPERTIES *(Continued)*

Details of the Group's investment properties and information about the determination of the fair values of these investment properties, in particular the valuation techniques, significant unobservable inputs and category of the fair value hierarchy are disclosed as below:

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs 2017	Range of unobservable inputs 2016	Relationship of significant unobservable inputs to fair value
Premises	Level 3	Direct comparison method	Market unit sale rate per square feet, after taking into account the age, location and individual factors such as size, view, floor level and quality of building	**HK$17,000 – HK$19,000 per square feet**	HK$17,000 – HK$19,000 per square feet	An increase in percentage of market unit sale rate per square feet would result in an increase in fair value measurement of the premises by the same percentage increase, and vice versa
Car parks	Level 3	Direct comparison method	Market unit sale rate per car park	**HK$3,200,000 – HK$3,300,000 per car park**	HK$3,200,000 – HK$3,500,000 per car park	An increase in percentage of market unit sale rate per car park would result in an increase in fair value measurement of the car park by the same percentage increase, and vice versa

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	HK$'000	*HK$'000*
Unlisted club debentures, at fair value	**24,500**	22,150
Unlisted club membership, at fair value	**1,600**	1,500
Unlisted club membership, at cost	**1,331**	1,331
	27,431	24,981

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. At the reporting date, the fair value measurements of these unlisted club debentures and unlisted club membership were categorized as Level 1 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.

19. INTANGIBLE ASSETS

	2017	2016
	HK$'000	HK$'000
Club entrance fee and berth license		
Cost		
At 1 January	**2,799**	2,799
Write-off	**(1,200)**	–
At 31 December	**1,599**	2,799
Accumulated amortization		
At 1 January	**1,688**	1,524
Charge for the year	**44**	164
Write-off	**(1,200)**	–
At 31 December	**532**	1,688
Net book value		
At 31 December	**1,067**	1,111

20. INVENTORIES

Inventories consisted of bunker stock and ship stores on the Group's vessels. At the reporting date, these inventories were carried at cost.

21. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Trade receivables	**16,034**	21,205
Prepayments, deposits and other receivables	**116,952**	110,439
	132,986	131,644

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Other receivables include a receivable from an interest-bearing note issued by a third party amounting to HK$27,000,000 (2016: 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.

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.

Details of the Group's credit policy are set out in note 35(e).

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

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**7,724**	6,375
Over 3 months but within 6 months	**400**	3,250
Over 6 months but within 12 months	**116**	2,792
Over 12 months	**7,794**	8,788
	16,034	21,205

The aging analysis of trade receivables (net of impairment loss) that are past due at the reporting date but not individually considered to be impaired is included in the following analysis:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,270**	2,211
Past due but not impaired		
Within 3 months past due	**6,454**	4,164
Over 3 months but within 6 months past due	**400**	3,250
Over 6 months but within 12 months past due	**116**	2,792
Over 12 months past due	**7,794**	8,788
	14,764	18,994
	16,034	21,205

21. TRADE AND OTHER RECEIVABLES *(Continued)*

The movement for impairment loss on trade and other receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**119,092**	119,968
Reversal of impairment loss	**(461)**	(389)
Written off as uncollectible	**(814)**	(487)
At 31 December	**117,817**	119,092

The Group reviews receivables for evidence of impairment on both individual and collective basis. The Group had determined trade and other receivables of HK$117,817,000 (2016: HK$119,092,000) as individually impaired at the reporting date. The individual impaired trade receivables are due from charterers with prolonged delay in hire payments over the agreed credit terms. At the reporting date, the impairment loss on trade receivables and other receivables was HK$98,540,000 (2016: HK$99,815,000) and HK$19,277,000 (2016: HK$19,277,000) respectively.

No impairment allowance in respect of remaining receivables was provided since these charterers had good payment track records with the Group based on their past credit histories and there were no significant changes in credit qualities of these charterers.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	*HK$'000*
Held for trading		
Equity securities		
Listed in Hong Kong	**114,585**	103,357
Listed outside Hong Kong	**59,339**	47,183
	173,924	150,540
Debt securities		
Listed in Hong Kong	**13,304**	235,773
Listed outside Hong Kong	**21,344**	5,555
	34,648	241,328
	208,572	391,868

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.

23. BANK BALANCES AND CASH

	2017	2016
	HK$'000	*HK$'000*
Cash and cash equivalents as stated in the consolidated statement of cash flows	**506,441**	240,872
Bank deposits with more than three months to maturity when placed	**104,520**	–
	610,961	240,872

24. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**3,297**	8,625
Accrued charges and other payables	**173,559**	187,468
	176,856	196,093

The carrying amounts of trade and other payables are considered to be a reasonable approximation of their fair values.

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

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**111**	1,366
Over 3 months but within 6 months	**–**	715
Over 6 months but within 12 months	**–**	859
Over 12 months	**3,186**	5,685
	3,297	8,625

25. SECURED BANK LOANS

	2017	2016
	HK$'000	*HK$'000*
Vessel mortgage loans	**1,075,034**	1,657,916
Other bank loans	**2,000**	–
	1,077,034	1,657,916

The maturity of secured bank loans is as follows:

	2017	2016
Within one year	**477,215**	211,339
In the second year	**274,080**	156,250
In the third to fifth year	**325,739**	1,267,707
Wholly repayable within five years	**1,077,034**	1,635,296
After the fifth year	**–**	22,620
Total secured bank loans	**1,077,034**	1,657,916
Less: Amount repayable within one year	**(477,215)**	(211,339)
Amount repayable after one year	**599,819**	1,446,577

At the reporting date, secured bank loans represented vessel mortgage loans and other secured bank loans that were denominated in United States Dollars and Hong Kong Dollars respectively and were committed on floating rate basis ranging from 2.70% to 4.50% (2016: 1.22% to 3.71%) per annum. These loans are secured by certain of the Group's assets as disclosed in note 33.

The carrying amount of the secured bank loans is considered to be a reasonable approximation of its fair value.

25. SECURED BANK LOANS *(Continued)*

An ICD forming between the Group and major lenders was executed in December 2016 and remained effective throughout the year 2017. 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.

Subsequent to the reporting date, the Group repaid all deferred installments during the forbearance period of HK$244,971,000 to respective lenders on 10 January 2018. Immediately after the repayment of all deferred installments, the Group's vessel mortgage loans dropped from HK$1,075,034,000 as of 31 December 2017 to HK$830,063,000 on 10 January 2018.

26. SHARE CAPITAL

The Company's share capital is as follows:

	2017		2016	
	Number of ordinary shares	**Amount**	Number of ordinary shares	Amount
		HK$'000		*HK$'000*
Issued and fully paid:				
At 1 January and 31 December	**530,289,480**	**381,639**	530,289,480	381,639

27. RESERVES

Details of movements in reserves of the Group are set out in the "Consolidated Statement of Changes in Equity" on page 60.

Employee share-based compensation reserve

Employee share-based compensation reserve represents the contribution from the share options granted by the Company to Directors and employees of the Group. In 2016, all the share options were expired and the amount previously recognized in employee share-based compensation reserve were transferred to retained profits.

Reserve for available-for-sale financial assets

Reserve for available-for-sale financial assets represents the changes in fair value of available-for-sale financial assets.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2017	2016
	HK$'000	*HK$'000*
Loss before taxation	**(28,149)**	(1,472,496)
Adjustments for:		
Depreciation and amortization	**159,875**	274,206
Interest income	**(13,822)**	(16,542)
Interest expenses	**40,498**	39,902
Impairment loss on assets held for sale	**49,149**	354,602
Impairment loss on owned vessels	**–**	881,478
Dividend income	**(4,521)**	(6,672)
Net gain on disposal / write-off of property, plant and equipment	**(363)**	(684)
Net gain on disposal of investment properties	**(27)**	–
Net gain on disposal of assets held for sale	**(2,410)**	–
Change in fair value of investment properties	**(14,580)**	(53,350)
Reversal of impairment loss on trade and other receivables	**(461)**	(389)
Bad debts written off	**–**	151
Changes in working capital:		
Inventories	**1,379**	13,114
Trade and other receivables	**(3,304)**	6,512
Financial assets at fair value through profit or loss	**183,758**	324,281
Trade and other payables	**(18,248)**	(27,219)
Cash generated from operations	**348,774**	316,894

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities are classified as follows:

	Vessel mortgage loans	Other secured bank loans	Total secured bank loans
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2017	1,657,916	–	1,657,916
Cash flows:			
Drawdown of loans	–	30,000	30,000
Repayment of loans	(582,882)	(28,000)	(610,882)
At 31 December 2017	**1,075,034**	**2,000**	**1,077,034**

30. DEFERRED TAXATION

At the reporting date, deferred tax assets have not been recognized in respect of the followings:

	2017	2016
	HK$'000	*HK$'000*
Deductible temporary differences	**1,541**	1,458
Tax losses	**2,237,175**	2,212,481
	2,238,716	2,213,939

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Both deductible temporary differences and tax losses do not expire under current tax legislation.

31. FUTURE OPERATING LEASE ARRANGEMENTS

At the reporting date, the Group had future minimum lease income receivables under non-cancellable operating leases as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year:		
Premises	**3,180**	1,127
Owned vessels	**14,247**	3,042
	17,427	4,169
In the second to fifth year:		
Premises	**928**	–
	18,355	4,169

32. CAPITAL EXPENDITURE COMMITMENTS

At the reporting date, there was no capital expenditure commitments contracted by the Group but not provided for (2016: nil).

33. PLEDGE OF ASSETS

At the reporting date, the Group had certain credit facilities which were secured by the followings:

(a) Legal charges on the Group's property, plant and equipment (note 16) with an aggregate net book value of HK$1,995,279,000 (2016: HK$2,608,529,000) and investment properties (note 17) with an aggregate carrying amount of HK$160,880,000 (2016: HK$106,975,000);

(b) Deposits totalling HK$50,864,000 (2016: HK$50,663,000) of the Group placed with banks; and

(c) Assignment of twenty three (2016: twenty eight) ship owning subsidiaries' chartering income in favour of banks.

In addition, shares of eighteen (2016: twenty two) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following related party transactions:

Compensation of key management personnel as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries and other benefits	**41,874**	51,967
Contributions to retirement benefits schemes	**1,633**	2,281
	43,507	54,248

35. FINANCIAL RISK MANAGEMENT AND POLICIES

The Group is exposed to financial risks through its use of financial instruments which arise from its business activities. The financial risks include market risk (mainly comprise of interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. The management manages and monitors the financial risk exposures to ensure appropriate measures are implemented on a timely and effective manner. These policies have been in place for years and are considered to be effective.

35. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

(a) Categories of financial instruments

At the reporting date, the carrying amounts of financial instruments presented in the consolidated statement of financial position related to the following categories of financial assets and financial liabilities:

	2017	2016
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale financial assets		
Unlisted club debentures, at fair value	**24,500**	22,150
Unlisted club membership, at fair value	**1,600**	1,500
Unlisted club membership, at cost	**1,331**	1,331
	27,431	24,981
Financial assets at fair value through profit or loss		
Equity securities	**173,924**	150,540
Debt securities	**34,648**	241,328
	208,572	391,868
Loans and receivables		
Trade and other receivables	**115,051**	115,991
Pledged deposits	**50,864**	50,663
Bank balances and cash	**610,961**	240,872
	776,876	407,526
	1,012,879	824,375
Financial liabilities		
Trade and other payables	**167,567**	176,537
Borrowings		
Secured bank loans	**1,077,034**	1,657,916
	1,244,601	1,834,453

35. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

(b) Interest rate risk

Exposures to interest rate risk and the Group's risk management policies

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk arises primarily from bank borrowings that were committed on floating rate basis. The Group receives fixed interest income from investment in debt securities.

The Group manages interest rate risk by monitoring its interest rate profile as set out in note 25.

Sensitivity analysis*

Based on the exposures to bank borrowings of HK$1,077,034,000 (2016: HK$1,657,916,000) at the reporting date, it was estimated that an increase of 75 (2016: 75) basis points in interest rate, with all other variables remaining constant, the Group's net loss would increase by approximately HK$8,078,000 (2016: HK$12,434,000).

The sensitivity analysis above has been determined as if the change in interest rate had occurred at the reporting date. The basis of 75 (2016: 75) points increase is considered to be reasonably possible change based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next reporting date.

(c) Foreign currency risk

Exposures to foreign currency risk and the Group's risk management policies

Foreign currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions, assets and liabilities are mainly denominated in Hong Kong Dollars and United States Dollars which is linked to Hong Kong Dollars at exchange rate of around US$1.00 to HK$7.80. The Group believes that there will be no significant fluctuation in the exchange rates between Hong Kong Dollars and United States Dollars.

At the reporting date, the Group was exposed to foreign currency risk primarily through investment in equity securities mainly denominated in Singapore Dollars amounting to SGD10,159,000, approximately HK$59,339,000 and through holding certain bank deposits and investment in debt securities mainly denominated in Renminbi amounting to RMB8,423,000 and RMB10,480,000, approximately HK$10,078,000 and HK$12,540,000 (2016: certain bank deposits and investment in equity securities mainly denominated in Singapore Dollars amounting to SGD331,000 and SGD8,649,000, approximately HK$1,774,000 and HK$46,294,000) respectively.

* *The sensitivity analysis disclosed above represents the risks inherent to the Group's financial instruments as of each reporting date. The result of the sensitivity analysis may differ from time to time according to the then prevailing market conditions.*

35. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

(c) Foreign currency risk *(Continued)*

Sensitivity analysis*

At the reporting date, based on the total exposures to the equity securities mainly denominated in Singapore Dollars of SGD10,159,000, approximately HK$59,339,000, and the bank deposits and debt securities mainly denominated in Renminbi amounting to RMB18,903,000, approximately HK$22,618,000 (2016: bank deposits and equity securities mainly denominated in Singapore Dollars of SGD8,980,000, approximately HK$48,068,000), it was estimated that a depreciation of 5% in exchange rate of Singapore Dollars and Renminbi against Hong Kong Dollars (2016: 5% in exchange rate of Singapore Dollars against Hong Kong Dollars) would result in an increase to the Group's net loss by approximately HK$4,044,000 (2016: HK$2,403,000) with all other variables remain constant. The sensitivity analysis had been determined based on the assumed exchange rate movement of Singapore Dollars and Renminbi against Hong Kong Dollars (2016: Singapore Dollars against Hong Kong Dollars) taking place at the beginning of the year and held constant throughout the year.

(d) Price risk

Exposures to price risk and the Group's risk management policies

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will decline because of adverse market price movements of the financial instrument. The Group is exposed to price risk primarily through its investments in listed equity securities and debt securities classified as financial assets at fair value through profit or loss.

The Group's portfolio of financial instruments that exposed to price risk at the reporting date is set out in note 22.

Sensitivity analysis*

Based on the portfolio of listed equity securities held by the Group at the reporting date, if the quoted prices of the listed equity securities had been decreased by 10% (2016: 10%), the Group's net loss would increase by approximately HK$17,392,000 (2016: HK$15,054,000).

Based on the portfolio of listed debt securities held by the Group at the reporting date, if the quoted prices of the listed debt securities had been decreased by 10% (2016: 10%), the Group's net loss would increase by approximately HK$3,465,000 (2016: HK$24,133,000).

* *The sensitivity analysis disclosed above represents the risks inherent to the Group's financial instruments as of each reporting date. The result of the sensitivity analysis may differ from time to time according to the then prevailing market conditions.*

35. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

(e) Credit risk

Exposures to credit risk and the Group's risk management policies

Credit risk relates to the risk that the counterparty to a financial instrument would fail to discharge its contractual obligations under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposures to credit risk mainly arises from granting credit to charterers in the ordinary course of its operations, a receivable from an interest-bearing note issued by a third party, investment in debt securities and other financial instruments, and placing deposits with financial institutions.

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 Group has no significant concentration of credit risk in respect of trade receivables, with exposure spread over a number of charterers. At the reporting date, the Group did not hold any collateral from charterers.

The receivable from an interest-bearing note issued by a third party 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 Group is exposed to credit risk associated to investment in debt securities. By diversifying the investment portfolio across various debt securities offered by sound credit rating counterparties, the Group does not expect to incur material credit losses on managing these financial instruments.

Bank deposits are only placed with creditworthy financial institutions. The management does not expect any financial institutions fail to meet their obligations.

35. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

(f) Liquidity risk

Exposures to liquidity risk and the Group's risk management policies

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other borrowings. The management regularly monitors the Group's current and expected liquidity requirements and its compliance with lending covenants, to ensure it maintains sufficient reserves of cash and bank balances, readily realizable marketable equity and debt securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirement.

The analysis below set out the remaining contractual maturity based on undiscounted cash flow of the Group's financial liabilities at the reporting date.

	Within one year *HK$'000*	In the second year *HK$'000*	In the third to fifth year *HK$'000*	After the fifth year *HK$'000*	Total undiscounted amount *HK$'000*	Carrying amount *HK$'000*
2017						
Trade and other payables	**167,567**	**–**	**–**	**–**	**167,567**	**167,567**
Secured bank loans	**501,669**	**289,913**	**335,250**	**–**	**1,126,832**	**1,077,034**
	669,236	**289,913**	**335,250**	**–**	**1,294,399**	**1,244,601**
2016						
Trade and other payables	176,537	–	–	–	176,537	176,537
Secured bank loans	247,401	188,572	1,294,715	23,025	1,753,713	1,657,916
	423,938	188,572	1,294,715	23,025	1,930,250	1,834,453

36. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(a) to ensure the Group's ability to continue as a going concern;

(b) to provide adequate returns for shareholders;

(c) to maintain an optimal capital structure to reduce the cost of capital; and

(d) to support the Group's stability and sustainable growth.

The Group's capital management strategies are to rely on internal resources and interest-bearing borrowings to finance the capital expenditures. The management may make adjustments to its capital structure in the light of changes in economic conditions, recent market values of the Group's assets as well as the risk characteristics of the underlying assets through adjusting the amount of dividends paid to shareholders, issuing new shares or selling assets to reduce debts.

The Group monitors capital structure on the basis of the gearing ratio. This ratio is calculated as net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity. The gearing ratio of the Group at the reporting date is calculated as follows:

	2017	2016
	HK$'000	*HK$'000*
Secured bank loans repayable within one year	**477,215**	211,339
Secured bank loans repayable after one year	**599,819**	1,446,577
Total secured bank loans	**1,077,034**	1,657,916
Less: Equity and debt securities	**(208,572)**	(391,868)
Less: Bank balances and cash	**(610,961)**	(240,872)
Net debts	**257,501**	1,025,176
Total equity	**2,037,858**	1,978,838
Gearing ratio	**13%**	52%

37. STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

(a) Statement of financial position of the Company

	2017	2016
	HK$'000	*HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Available-for-sale financial assets	**17,500**	15,500
Investments in subsidiaries	**586,670**	478,273
	604,170	493,773
Current assets		
Other receivables	**218**	224
Financial assets at fair value through profit or loss	**23,102**	31,757
Amount due from subsidiaries	**116,053**	197,785
Bank balances and cash	**1,163**	7,217
	140,536	236,983
Current liabilities		
Other payables	**672**	4,079
Net current assets	**139,864**	232,904
Net assets	**744,034**	726,677
EQUITY		
Capital and reserves		
Issued capital	**381,639**	381,639
Reserves *(Note)*	**362,395**	345,038
Total equity	**744,034**	726,677

Note: At the reporting date, reserves of the Company available for distribution to shareholders amounted to HK$317,675,000 (2016: HK$302,318,000).

Approved and authorized for issue by the Board of Directors on 16 March 2018

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

37. STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE COMPANY *(Continued)*

(b) Statement of changes in equity of the Company

	Issued capital HK$'000	Employee share-based compensation reserve HK$'000	Reserve for available-for-sale financial assets HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2016	381,639	43,660	10,500	298,078	733,877
Comprehensive loss					
Net loss for the year	–	–	–	(7,200)	(7,200)
Total comprehensive loss for the year	–	–	–	(7,200)	(7,200)
Transaction with owners					
Lapse of employee share options	–	(43,660)	–	43,660	–
At 31 December 2016	381,639	–	10,500	334,538	726,677
At 1 January 2017	381,639	–	10,500	334,538	726,677
Comprehensive income					
Net profit for the year	–	–	–	15,357	15,357
Other comprehensive income					
Change in fair value of available-for-sale financial assets	–	–	2,000	–	2,000
Total comprehensive income for the year	–	–	2,000	15,357	17,357
At 31 December 2017	**381,639**	**–**	**12,500**	**349,895**	**744,034**

38. PRINCIPAL SUBSIDIARIES

The following table lists out the information relating to Jinhui Shipping and its subsidiaries (collectively, referred to as "Jinhui Shipping Group"), the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarized financial information presented below represents the amounts before any inter-company transactions and balances elimination:

	Jinhui Shipping Group	
	2017	2016
	HK$'000	*HK$'000*
NCI percentage	**44.31%**	45.23%
Non-current assets	**2,183,743**	2,823,483
Current assets	**978,916**	766,545
Non-current liabilities	**(599,820)**	(1,446,580)
Current liabilities	**(651,573)**	(393,962)
Net assets	**1,911,266**	1,749,486
Carrying amount of NCI	**860,260**	804,952
Revenue	**573,663**	467,649
Net loss for the year	**(31,442)**	(1,474,910)
Total comprehensive loss for the year	**(31,340)**	(1,475,089)
Net loss for the year attributable to NCI	**(14,518)**	(667,102)
Total comprehensive loss for the year attributable to NCI	**(14,474)**	(667,182)
Net cash from operating activities	**312,086**	270,418
Net cash from investing activities	**360,149**	474,357
Net cash used in financing activities	**(389,969)**	(788,174)

In July 2017, the subsidiary of the Company, Jinhui Shipping carried out a rights issue raising up to NOK201,708,816 (approximately HK$186.8 million) in gross proceeds through the issuance of up to 25,213,602 Jinhui Shipping Offer Shares at the subscription price of NOK8.00 (approximately HK$7.41) and list the new Jinhui Shipping Shares on the Oslo Stock Exchange, Norway. The Company subscribed for 14,806,440 new Jinhui Shipping shares at a total consideration of NOK118,451,520 (approximately HK$109.7 million). After the completion of the rights issue on 2 August 2017, the controlling interests in Jinhui Shipping owned by the Company increased from 54.77% to 55.69% and the non-controlling interests in Jinhui Shipping decreased from 45.23% to 44.31%.

38. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the Company's principal subsidiaries as at 31 December 2017 and 2016 are as follows:

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2017	Attributable equity interest at 31/12/2016	Principal activities	Place of operation
Incorporated in Bermuda					
Jinhui MetCoke Limited	12,000 ordinary shares of US$1 each	55.69%	54.77%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	109,258,943 ordinary shares of US$0.05 each	55.69%	54.77%	Investment holding	Worldwide
Incorporated in the British Virgin Islands					
Advance Rich Limited	1 share of US$1 each	55.69%	54.77%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US$1 each	55.69%	54.77%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US$1 each	55.69%	54.77%	Investment holding	Worldwide
# Pantow Profits Limited	60,000 shares of US$1 each	100%	100%	Investment holding	Worldwide
Incorporated in Hong Kong					
Carpa Limited	HK$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Exalten Limited	HK$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong

38. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2017	Attributable equity interest at 31/12/2016	Principal activities	Place of operation
Incorporated in Hong Kong *(Continued)*					
Fair Fait International Limited	HK$2 divided into 2 ordinary shares	55.69%	54.77%	Property investment	Hong Kong
First Lion International Limited	HK$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Goldbeam International Limited	HK$5,000,000 divided into 5,000,000 ordinary shares	55.69%	54.77%	Ship management services, shipping agent and investment	Hong Kong
# Jinhui Investments (China) Limited	HK$2 divided into 2 ordinary shares	100%	100%	Investment holding	Hong Kong
Keenfair Investment Limited	HK$2 divided into 2 ordinary shares	100%	100%	Investment	Hong Kong
Leadford Industries Limited	HK$2 divided into 2 ordinary shares	55.69%	54.77%	Property investment	Hong Kong
Linkford International Limited	HK$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Monocosmic Limited	HK$10,000 divided into 10,000 ordinary shares	55.69%	54.77%	Property investment	Hong Kong
Ringo Star Company Limited	HK$2 divided into 2 ordinary shares	55.69%	54.77%	Property investment	Hong Kong

38. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2017	Attributable equity interest at 31/12/2016	Principal activities	Place of operation
Incorporated in the Republic of Liberia					
Galsworthy Limited	1 registered share of US$1 each	55.69%	54.77%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US$1 each	55.69%	54.77%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US$1 each	55.69%	54.77%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US$1 each	55.69%	54.77%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US$1 each	55.69%	54.77%	Ship chartering	Worldwide
Incorporated in the Republic of Panama					
Jinao Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jincheng Maritime Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jingang Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide

38. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2017	Attributable equity interest at 31/12/2016	Principal activities	Place of operation
Incorporated in the Republic of Panama ***(Continued)***					
Jinhong Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinji Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinjun Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinlang Marine Inc.	2 registered shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinli Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinmei Marine Inc.	2 registered shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinquan Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinsui Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jintong Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide

38. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2017	Attributable equity interest at 31/12/2016	Principal activities	Place of operation
Incorporated in the Republic of Panama *(Continued)*					
Jinwan Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinxiang Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinxing Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinyao Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinyi Shipping Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinyuan Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinyue Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide
Jinzhou Marine Inc.	2 common shares of US$1 each	55.69%	54.77%	Ship owning	Worldwide

\# *These are direct subsidiaries of the Company. All other companies are indirect subsidiaries.*

Glossary

This glossary contains the abbreviations and main terms used in the 2017 annual report.

Abbreviations / Main terms	**Meanings in the annual report**
Board	Board of Directors;
Chairman	Chairman of the Board;
China / PRC	The People's Republic of China;
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules;
Company / Jinhui Holdings	Jinhui Holdings Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Hong Kong Stock Exchange (stock code: 137);
Company Code	A set of code adopted by the Company, which sets out the corporate standards and practices used by the Group;
Director(s)	Director(s) of the Company;
DWT	Deadweight tonnage;
Group	Company and its subsidiaries;
Handymax	A dry cargo vessel of deadweight approximately 45,000 metric tons;
Handysize	A dry cargo vessel of deadweight below 40,000 metric tons;
HKAS	Hong Kong Accounting Standards;
HKFRS	Hong Kong Financial Reporting Standards;

Glossary

Abbreviations / Main terms	Meanings in the annual report
HKICPA	Hong Kong Institute of Certified Public Accountants;
Hong Kong	The Hong Kong Special Administrative Region of the PRC;
IMO	The International Maritime Organization;
ISM Code	The International Safety Management Code;
ISPS Code	The International Ship and Port Facility Security Code;
Jinhui Shipping	Jinhui Shipping and Transportation Limited, a limited liability company incorporated in Bermuda and an approximately 55.69% owned subsidiary of the Company as at 31 December 2017, whose shares are listed on the Oslo Stock Exchange (stock code: JIN);
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange;
MARPOL	The International Convention for the Prevention of Pollution from Ships;
Panamax	Vessel of deadweight approximately 70,000 metric tons, designed to be just small enough to transit the Panama Canal;
Post-Panamax	Vessel of deadweight approximately between 90,000 metric tons to 100,000 metric tons;
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
Shareholder(s)	Shareholder(s) of the Company;
STCW Convention	The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers;
Stock Exchange	The Stock Exchange of Hong Kong Limited;
Supramax(es)	Dry cargo vessel(s) of deadweight approximately 50,000 metric tons;

Glossary

Abbreviations / Main terms	Meanings in the annual report
HK$	Hong Kong Dollars, the lawful currency of Hong Kong;
RMB	Renminbi, the lawful currency of the PRC;
SGD	Singapore Dollars, the lawful currency of Singapore; and
US$	United States Dollars, the lawful currency of the United States of America.