



2018  
ANNUAL REPORT



**JINHUI SHIPPING  
AND TRANSPORTATION LIMITED**



2018

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Ng Siu Fai, *Chairman*

Ng Kam Wah Thomas, *Managing Director and  
Deputy Chairman*

Ng Ki Hung Frankie

Ho Suk Lin Cathy

### Non-executive Directors

Tsui Che Yin Frank

William Yau

## AUDIT COMMITTEE

Tsui Che Yin Frank, *Chairman*

William Yau

## REMUNERATION COMMITTEE

Tsui Che Yin Frank, *Chairman*

William Yau

## COMPANY SECRETARY

Ho Suk Lin Cathy

## AUDITOR

Grant Thornton Hong Kong Limited

*Certified Public Accountants*

## SHARE LISTING

The Company's shares are listed on the  
Oslo Stock Exchange (stock code: JIN)

## SHARE REGISTRARS

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Nordea Bank Abp, Filial Norge

P.O. Box 1166 Sentrum

0107 Oslo, Norway

## REGISTERED OFFICE

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Hamilton HM 11

Bermuda

## CORRESPONDENCE ADDRESS

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Hong Kong, PRC

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## WEBSITE

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# Chairman's Statement

The Board is pleased to present the annual report of **Jinhui Shipping and Transportation Limited** for the financial year 2018.

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

Revenue for the year 2018 increased 3% to US\$76,113,000, comparing to US\$73,547,000 for the year 2017. The Company recorded a consolidated net profit of US\$8,713,000 for the year 2018 while a consolidated net loss of US\$4,031,000 was reported in 2017. The consolidated net profit for the year 2018 was mainly attributable to the improved shipping revenue and the net gain from disposal of four motor vessels in 2018. The average daily time charter equivalent rate earned by the Group's owned vessels increased 22% to US\$9,922 for the year 2018 as compared to US\$8,111 for the year 2017. Basic earnings per share for the year was US\$0.080 as compared to basic loss per share of US\$0.043 for the year 2017.

In the second half of 2018, the impact of US-China trade war to global economies have begun to surface, and the global shipping market, stock and financial markets were affected with different magnitude. The Group has recognized net loss of US\$3,920,000 on financial assets at fair value through profit or loss and was included in other operating expenses for the year 2018.

During the year, the Group took the opportunity to enter into four memorandums of agreement to dispose of four Supramaxes at a total consideration of US\$32,560,000 with the net gain of US\$5,437,000 on completion of the disposal of these four vessels in the second half of 2018. The disposal of four Supramaxes aged above 15 years would enable the Group to enhance its working capital position and further strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio and reduce our exposure in operational risk in the unpredictable and volatile market environment.

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 from 15% as at 31 December 2017 to 0.65% as at 31 December 2018. The drop in gearing ratio for the year was mainly attributable to the decrease in bank borrowings upon repayment of all deferred installments for those loans restructured in previous year and repayment of vessel mortgage loans.

# 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. We have sold some of our older vessels lately to further enhance our already competitive cost structure over the long term, as well as immediate strengthening of our financial position. Looking ahead, we will continue to focus on taking sensible and decisive actions to maintain a strong financial position, to ensure safe navigation through any stormy waters that may lie ahead.

On behalf of the Board of Directors of the Company, I would like to express our heartfelt appreciation to all customers and stakeholders for their ongoing support. Going forward, we will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under all kinds of scenarios. We will continue to exercise our best efforts to be a trustworthy business partner. I would also 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.



**Ng Siu Fai**  
*Chairman*

22 March 2019

# Strategies and Business Profile

Jinhui Shipping is one of the world's largest, focussed grabs fitted Supramax owners offering high quality marine transportation services. It expands its modern and high quality fleet of dry bulk carriers through well-planned and timely acquisition and chartering of vessels.

Jinhui Shipping was incorporated with limited liability in Bermuda on 16 May 1994. Following a reorganization in June 1994, the Company became the immediate holding company of the shipping and investment group. Since 1994, Jinhui Shipping's shares have been trading under a full listing on the Oslo Stock Exchange (stock code: JIN).

As at date of this annual report, the major shareholder of the Company is Jinhui Holdings Company Limited which holds approximately 55.69% interests in the Company.

## 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'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.

# Strategies and Business Profile

## SHIPPING BUSINESS *(Continued)*

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.

### Owned Vessels

As at 31 December 2018, the Group had nineteen owned vessels and 421 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 Sheng  | Supramax     | 2006  | IHI                | 52,050     |
| Jin Yao    | Supramax     | 2004  | IHI                | 52,050     |
| Jin Ping   | Supramax     | 2002  | Oshima             | 50,777     |
| Jin Zhou * | Supramax     | 2001  | Mitsui             | 50,209     |
|            |              |       |                    | 1,136,283  |

\* The vessel was contracted to be disposed in January 2019 and delivered to the purchaser on 12 March 2019.

While the Group's expertise 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 geographically during the year.

## Loading Ports Analysis

|   | 2018  | 2017  |
|---|-------|-------|
| <i>(Expressed as a percentage of revenue)</i> | %     | %     |
| Asia excluding China                          | 88.9  | 76.9  |
| Australia                                     | 8.0   | 11.3  |
| China   | 3.1   | 9.0   |
| Europe  | –     | 0.9   |
| Africa  | –     | 1.6   |
| South America                                 | –     | 0.3   |
|   | 100.0 | 100.0 |

## Discharging Ports Analysis

|   | 2018  | 2017  |
|---|-------|-------|
| <i>(Expressed as a percentage of revenue)</i> | %     | %     |
| China   | 94.7  | 84.8  |
| Asia excluding China                          | 5.3   | 14.8  |
| Others  | –     | 0.4   |
|   | 100.0 | 100.0 |

## Types of Cargoes carried by the Group's Fleet

|                | 2018                            |       | 2017                            |       |
|----------------|---------------------------------|-------|---------------------------------|-------|
|                | Metric Tons<br><i>(in '000)</i> | %     | Metric Tons<br><i>(in '000)</i> | %     |
| Minerals       | 12,123                          | 86.8  | 10,814                          | 70.2  |
| Coal           | 1,530                           | 11.0  | 2,899                           | 18.8  |
| Steel products | 218                             | 1.6   | 1,120                           | 7.3   |
| Cement         | 90                              | 0.6   | 580                             | 3.7   |
|                | 13,961                          | 100.0 | 15,413                          | 100.0 |



# Highlights

## KEY PERFORMANCE INDICATORS FOR SHIPPING BUSINESS

|   | 2018  | 2017  |
|---|-------|-------|
|   | US\$  | US\$  |
| Average daily time charter equivalent rate <sup>1</sup> | 9,922 | 8,111 |
| Daily vessel running cost <sup>2</sup>                  | 4,028 | 3,843 |
| Daily vessel depreciation <sup>3</sup>                  | 2,081 | 2,072 |
| Daily vessel finance cost <sup>4</sup>                  | 387   | 568   |
|   | 6,496 | 6,483 |
| Average utilization rate <sup>5</sup>                   | 99%   | 99%   |

As at 31 December 2018, the Group had nineteen owned vessels. Dry bulk shipping market improved remarkably in the first half of 2018, driven mainly by strong Chinese dry bulk imports and limited tonnage growth and high level of demolitions activities. The average daily time charter equivalent rate earned by the Group's owned vessels increased 22% to US\$9,922 for the year 2018 as compared to US\$8,111 for the year 2017. Daily vessel running cost slightly increased 5% from US\$3,843 for the year 2017 to US\$4,028 for the year 2018 due to mild inflation in crew wages. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants. Daily vessel finance cost decreased 32% from US\$568 for the year 2017 to US\$387 for the year 2018 mainly due to the interest saving from the reduction in outstanding loan principal upon repayment of all deferred installments for those loans restructured during the forbearance period of US\$31,407,000 to respective lenders and repayment of vessel mortgage loans, partially offset by the impact of rising LIBOR in 2018 as all of the Group's bank borrowings were committed on floating rate basis. Fleet utilization rate is 99% for the year 2018, which is same as the year 2017.

### 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.

## FIVE-YEAR FINANCIAL SUMMARY

|   | 2018<br>US\$'000 | 2017<br>US\$'000 | 2016<br>US\$'000 | 2015<br>US\$'000 | 2014<br>US\$'000 |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>Key Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income</b> |                  |                  |                  |                  |                  |
| Revenue   | 76,113           | 73,547           | 59,955           | 86,303           | 132,249          |
| Operating profit (loss)   | 11,874           | 1,146            | (183,976)        | (373,897)        | (81,307)         |
| Finance costs   | (3,161)          | (5,177)          | (5,115)          | (4,846)          | (5,441)          |
| Profit (Loss) before taxation   | 8,713            | (4,031)          | (189,091)        | (378,743)        | (86,748)         |
| Taxation  | -                | -                | -                | -                | -                |
| Net profit (loss) for the year  | 8,713            | (4,031)          | (189,091)        | (378,743)        | (86,748)         |
| Other comprehensive income (loss)   | (281)            | 13               | (23)             | -                | -                |
| Total comprehensive income (loss) for the year attributable to shareholders of the Company      | 8,432            | (4,018)          | (189,114)        | (378,743)        | (86,748)         |
| Earnings (Loss) per share   |                  |                  |                  |                  |                  |
| – Basic and diluted (restated)  | US\$0.080        | US\$(0.043)      | US\$(2.244)      | US\$(4.506)      | US\$(1.032)      |
| <b>Key Items in the Consolidated Statement of Financial Position</b>                            |                  |                  |                  |                  |                  |
| Non-current assets  | 247,458          | 279,967          | 361,985          | 607,962          | 976,860          |
| Current assets  | 114,179          | 125,502          | 98,275           | 151,442          | 248,851          |
| Total assets  | 361,637          | 405,469          | 460,260          | 759,404          | 1,225,711        |
| Total equity  | 250,953          | 245,034          | 224,293          | 413,407          | 792,150          |
| Non-current liabilities   | 65,677           | 76,900           | 185,459          | 234,141          | 338,638          |
| Current liabilities   | 45,007           | 83,535           | 50,508           | 111,856          | 94,923           |
| Total equity and liabilities  | 361,637          | 405,469          | 460,260          | 759,404          | 1,225,711        |
| <b>Other Financial Information</b>  |                  |                  |                  |                  |                  |
| Gearing ratio   | 0.65%            | 15%              | 61%              | 47%              | 25%              |

# Shareholders' Diary

|  |                   |
|--|-------------------|
| Annual general meeting                           | 15 May 2019       |
| Announcement for the first quarter results 2019  | 31 May 2019*      |
| Announcement for the second quarter results 2019 | 30 August 2019*   |
| Announcement for the third quarter results 2019  | 29 November 2019* |
| Announcement for the fourth quarter results 2019 | 28 February 2020* |

\* *Subject to change*

# Corporate Governance Report

Jinhui Shipping recognizes the importance of good corporate governance to the Company's value creation and has devoted considerable efforts to identify and formulate corporate governance practices appropriate to the Company in terms of practicality and suitability. The Board has the overall responsibility for the Company's corporate governance and ensures the Company implements sound corporate governance practice.

## SECTION 3-3B OF THE NORWEGIAN ACCOUNTING ACT

The following specifies the items or information that must be disclosed under Section 3-3b of the Norwegian Accounting Act:

### 1. A statement of the code of practice and regulatory framework for corporate governance

Pursuant to Continuing Obligations, companies listed on the Oslo Stock Exchange must publish a comprehensive report on the company's corporate governance in the directors' report or in a document that is referred to in the directors' report. The report must cover every section of the Norwegian Code of Practice and must include the required report contents as set out in Section 3-3b of the Norwegian Accounting Act.

Jinhui Shipping has applied the principles as set out in the Norwegian Code of Practice as its corporate governance structure. The Company gives an annual review of the corporate governance report which covers every section for its compliance with the Norwegian Code of Practice, and explains the deviations with selected alternative approaches on pages 13 to 29 with the numbers refer to the section's numerical order of the Norwegian Code of Practice.

### 2. Information on where the code of practice and regulatory framework is publicly available

The Norwegian Code of Practice, which was revised and published on 17 October 2018 is available on the Norwegian Corporate Governance Board website ([www.nues.no](http://www.nues.no)) and the Continuing Obligations is available on the Oslo Bors website ([www.oslobors.no](http://www.oslobors.no)).

### 3. Explanation for any deviation from the Norwegian Code of Practice

Jinhui Shipping adhered to the Norwegian Code of Practice throughout the year except for certain deviations. We report our conformance and provide explanation of the reasons for the deviations and what solution we have selected in below fifteen separate sections as described in the Norwegian Code of Practice.

# Corporate Governance Report

## SECTION 3-3B OF THE NORWEGIAN ACCOUNTING ACT *(Continued)*

### **4. Description of the main elements of the Group's internal control and risk management systems associated with the financial reporting process**

The Board is responsible for ensuring financial reporting process is subject to adequate control and has laid down instructions and guidelines on its own works as well as for the executive personnel on day-to-day operations and ongoing financial monitoring. The Board carries out a review of the Group's most significant risk areas in every six months and performs an annual review of its internal control systems. The Audit Committee assists the Board relating to the efficiencies of the Group's internal control over the financial reporting process; the effectiveness of the Group's risk management policies; and the qualifications and independence of the external auditor.

The Group adopts a uniform generally accepted accounting practice in the preparation of financial statements of the Company and its subsidiaries. The internal control systems identified in the financial reporting process are primarily designed to mitigate the risks including financial reporting risk, compliance-related risk, fraud risk, and risk on financial-accounting-related IT systems. The control procedures mainly include authorizations, segregation of duties, reconciliations, management review and IT controls over financial-accounting-related IT systems. To ensure adequate and effective internal control on financial reporting process is adopted and implemented, key control procedures are ongoing monitored by the executive personnel, regularly assessed by the Board and the Audit Committee and annually reviewed by the external auditor.

### **5. Provision in the Company's Memorandum of Association governing general meetings**

The Company's Memorandum of Association and Bye-Laws laid down the shareholders' right proceedings at general meetings, voting rights, proxies, transfer of shares, and also the rules governing the alteration or amendment to bye-laws and memorandum of association. Both do not extend or depart from the general rules laid down in Chapter 5 of the Norwegian Public Limited Liability Companies Act, which governs general meetings. The Company's Memorandum of Association and Bye-Laws have been publicly disclosed in the website of the Company.

### **6. Composition of the Board and the main elements in the prevailing board instructions and guidelines**

The Board adopted the Company's Bye-Laws 87 to 134 as its prevailing board instructions of procedures which laid down general powers, proceedings and administrative procedures of the directors of the Company. The Board also produces an annual plan with particular emphasis on business objectives and strategies and evaluates its performance in relation to the objectives set out for its works every year.

The Board Committees, which include the Audit Committee and the Remuneration Committee, are appointed by the Board under respective terms of reference that specified their authorities, duties, reporting responsibilities and reporting procedures. The respective terms of reference of the Audit Committee and the Remuneration Committee have been publicly disclosed in the website of the Company. The composition of the Board and the board committee functions are further discussed below in Section 8 and Section 9 under the Norwegian Code of Practice.

# Corporate Governance Report

## SECTION 3-3B OF THE NORWEGIAN ACCOUNTING ACT *(Continued)*

### **7. Provision in the Company's Bye-Laws that regulates the appointment and replacement of members of the Board**

Pursuant to the Company's Bye-Law 87, the Directors shall be elected or appointed in the first place at the statutory meeting of members and thereafter in accordance with Bye-Law 88 and shall hold office until the next appointment of Directors or until their successors are elected or appointed.

Bye-Law 88 stipulates that notwithstanding any other provisions in the Company's Bye-Laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman and / or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

There are also provisions in Bye-Law 87 and Bye-Law 90 in relation to the removal of Directors and the disqualification of Directors.

### **8. Mandates that give the Board the right to decide on share repurchases or to issue new shares**

There is no provision in the Company's Bye-Laws giving the Board the right to decide on share repurchases or to issue new shares. Yet, there are two existing general mandates in place that give the Board the power to repurchase shares of the Company which shall not be more than 10% of the aggregate nominal amount of the issued share capital of the Company and the power to issue, allot and dispose of shares of the Company not exceeding the aggregate of 30% of the issued share capital of the Company on the date of the resolution. These general mandates were granted to the Board in the Company's annual general meeting held on 16 May 2018 and are valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company.

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

The section numbers mentioned below refer to the fifteen sections under the Norwegian Code of Practice.

### **Section 1 Implementation and reporting on corporate governance**

Jinhui Shipping has applied and followed the principles as set out in the Norwegian Code of Practice. The corporate governance report of 2018 covered every section of Norwegian Code of Practice with the description of our conformance throughout the year and the explanation of the reasons for the deviations.

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 2 Business

The objects of Jinhui Shipping are set out in its Memorandum of Association, which include the businesses of, inter alia:

- acting and performing all the functions of a holding company;
- acting as ship owners, managers, operators and agents; and
- acquiring, owning, selling, chartering, repairing or dealing in ships.

The Group's main objectives, strategies and risk profiles for our businesses are discussed in "Strategies and Business Profile" on pages 5 and 6 and in the section of Risk Management in "Directors' Report" on pages 46 and 47.

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. The Company Code also includes corporate social responsibility guidelines and ethical guidelines, and is prepared and updated by referencing to the principles set out in the Norwegian Code of Practice and other applicable rules and regulations. In addition to formalizing existing corporate governance principles and practices, the Company Code also serves the purpose of assimilating existing practices with benchmarks prescribed by the Norwegian Code of Practice and ultimately ensuring high transparency and accountability to the Company's shareholders. The directors and employees of Jinhui Shipping are subject to a range of rules laid down by legislation and regulations, as well as the Company Code and rules and ethical values and guidelines described in the staff handbooks.

Jinhui Shipping shall maximize shareholders' values by increasing the Company's equity value and distributing dividends to shareholders and the Board evaluates the strategies and risk profiles annually.

### Section 3 Equity and dividends

#### Equity

Jinhui Shipping's capital adequacy is kept under constant review in relation to its objectives, strategies and risk profile. As at 31 December 2018, the Group's total equity was US\$250,953,000, accounting for 69% of its consolidated total assets. The Board considers the present equity structure to be satisfactory.

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 3 Equity and dividends *(Continued)*

#### Dividend policy

The amount and timing of any dividend distributions in the future will depend, among other things, on our compliance with covenants in our credit facilities, earnings, financial condition, cash position, Bermuda law affecting the dividend distributions, restrictions in our financing agreements and other factors. In addition, the declaration and payment of dividend distributions is subject at all times to the discretion of our Board.

The Board has resolved to recommend the payment of a final dividend of US\$0.023 per share for the year ended 31 December 2018 and such dividend, if approved by the shareholders at the forthcoming annual general meeting scheduled on 15 May 2019, will be paid to the beneficial owners of the shares of the Company whose names are registered in the Norwegian Verdipapirsentralen (the Norwegian Registry of Securities) at the close of business on 20 May 2019. The Company's shares listed on the Oslo Stock Exchange will be traded including dividend up until and including 15 May 2019. The ex dividend date is 16 May 2019 and the dividend will be paid on or about 5 June 2019. On 29 August 2018, the Board resolved to pay an interim dividend of US\$0.023 per share to the shareholders of the Company. The interim dividend was paid to the shareholders of the Company on 28 September 2018. The proposed final dividend as mentioned above, if approved, will bring the total dividends for 2018 to US\$0.046 per share.

#### Increase in share capital

According to the Company's Bye-Law 12(1), the shareholders shall have the first and preferential right to subscribe for and be allotted any shares of the Company proposed to be issued in proportion to the number of shares held by them, unless the Company by special resolution otherwise decides to waive the shareholders' preferential rights in respect of a particular issue of shares or generally for any period not exceeding five years.

At the 2018 Annual General Meeting of the Company, a general mandate had been granted to the directors of the Company to increase not exceeding the aggregate of 30% of the issued share capital of the Company which would be valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company. No shares were being issued under this authorization in 2018.

**According to the Norwegian Code of Practice, the mandate granted to the board of directors to increase the company's share capital should be restricted to defined purposes.**

In view of the increasingly volatile nature of today's financial markets, the Board believes having a general mandate in place enables the Company to respond swiftly to the then prevailing market conditions should an equity fund raising exercise be determined to be the appropriate funding channel and proposes this general mandate at the forthcoming annual general meeting.



# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 3 Equity and dividends *(Continued)*

#### Purchase of own shares

At the 2018 Annual General Meeting of the Company, a general mandate had been granted to the directors of the Company to purchase not more than 10% of the aggregate nominal amount of the issued share capital of the Company which would be valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company. No shares were being repurchased under this authorization in 2018.

**According to the Norwegian Code of Practice, the mandate granted to the board of directors to purchase the company's share capital should be restricted to defined purposes.**

In view of the increasingly volatile nature of today's financial markets, the Board believes having a general mandate in place enables the Company to make timely decisions according to the then prevailing market conditions should the purchase of own shares is determined to generate the most value for shareholders of the Company and proposes this general mandate at the forthcoming annual general meeting.

### Section 4 Equal treatment of shareholders and transactions with close associates

#### Equal treatment of shareholders

Jinhui Shipping has one class of shares in issue. All shares have equal voting rights. There are provisions in the Company's Bye-Laws 67 to 78 in relation to shareholder's voting rights.

#### Share issues

In the event of an increase in share capital where the Board resolves to carry out an increase in share capital on the basis of a mandate granted to the Board that waives the pre-emption rights of existing shareholders, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital. No shares were being issued in 2018.

#### Transactions in its own shares

Jinhui Shipping's shares are liquid. In the event the Company carries out transactions in its own shares, it would only carry out such transactions either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the Company's shares, the Company would consider other ways to ensure equal treatment of all shareholders. No transactions in shares were being carried out by the Company in 2018.

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 4 Equal treatment of shareholders and transactions with close associates *(Continued)*

#### Transactions with close associates

Jinhui Shipping is a listed issuer on the Oslo Stock Exchange and is a subsidiary of Jinhui Holdings Company Limited, whose shares are listed on the Hong Kong Stock Exchange. The directors of the Company and executive personnel have the obligations to follow rules, regulations and guidelines in relation to transactions with close associates as set out by the Financial Supervisory Authority of Norway, the Stock Exchange of Hong Kong Limited, the International Accounting Standards Board and the Hong Kong Institute of Certified Public Accountants.

### Section 5 Shares and negotiability

Jinhui Shipping's shares are freely traded in the Oslo Stock Exchange. The Company's shares are registered shares with its shareholders register located at Bermuda. Shareholders of the Company may transfer their shares by an instrument of transfer in the usual common form or in such form as decided by the Board.

In general, all shares are freely negotiable. However, the Board may deny the transfer of shares according to the Bye-Law 48 of the Company. The Board has the option to decline to register the transfer of any share if the registration of such transfer would be likely to result in 50% or more of the aggregate issued share capital and the votes of the Company being held or owned directly or indirectly by a person or persons resident for tax purposes in Norway.

The Board considers that it is appropriate to impose such restriction which protects the existing Norwegian shareholders from unexpected tax changes in Norway for the common interest of the Company and the shareholders. This type of restriction is common for Bermuda and other low-tax jurisdiction companies listed on the Oslo Stock Exchange.

### Section 6 General meetings

#### Attendance by shareholders

Shareholders of the Company are entitled to attend shareholders' meeting in person or by proxy. The notice of calling general meeting and the supporting information, including the procedures for representation at the meeting through a proxy, the information for each resolution to be considered at the general meeting and for each of the candidates nominated for election, are published on the Company's website no later than 21 days prior to the date of the general meeting.

As a general rule, decisions which shareholders are entitled to make pursuant to Bermuda law may be made by a simple majority of votes cast at a general meeting. However, the Bye-Laws of the Company provides that any decision to, inter alia, amend Bye-Laws of the Company or alter the share capital of the Company requires the approval of at least two-thirds of votes cast by those members present in person or by proxy at a general meeting.

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 6 General meetings *(Continued)*

#### Attendance by shareholders *(Continued)*

In order to comply with the requirements of the Registration Agreement dated 30 September 1994 between the Company and Nordea Bank, and Bermuda law, all of the shares of the Company registered in the VPS are registered on the register of shareholders of the Company in the name of Nordea Bank. Nordea Bank alone will be entitled to attend and vote at general meetings in respect of shares so held. Nordea Bank has agreed that whenever it receives a notice that a shareholders' meeting of the Company is called, it shall despatch to each beneficial owner of the shares registered in the VPS (or its nominee), a copy of the notice. Nordea Bank has also agreed not to attend or vote at any such meeting other than in accordance with proxies from shareholders registered in the VPS. In order to vote through Nordea Bank at annual or special general meetings, shareholders must have registered their shareholdings in the VPS (usually registration of shares takes 3 business days) and have deposited a valid proxy form at Nordea Bank not less than 48 hours before the time appointed for holding the general meeting.

#### Participation by shareholders in absentia

Shareholders are given information on the procedures for representation at the general meeting through a proxy. As an alternative to voting in person in the general meetings, shareholders may appoint the chairman of the general meeting or to appoint another person as their proxies to attend and vote at the general meeting according to the procedures and instructions as shown in the notice of general meetings.

The proxy form of the Company is drawn up with separate voting instructions for each matter to be considered by the meeting. For directors who are subject to retirement by rotation at the annual general meeting, shareholders are given the opportunity to vote separately for each candidate nominated for election or re-election as director of the Company.

#### Attendance by the board of directors and auditor

The Chairman attends and chairs the general meetings. Other members of the Board are entitled to attend and the external auditor is present at the annual general meeting. The 2019 Annual General Meeting is scheduled on 15 May 2019. Notice of 2019 Annual General Meeting will be published on the website of the Company and the NewsWeb of the Oslo Stock Exchange and will be despatched to shareholders of the Company together with the 2018 annual report in early April 2019.

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 6 General meetings *(Continued)*

#### Chairman of the general meetings

According to Bye-Law 64 of the Company, every general meeting of the Company should be chaired by the president of the Company or the Chairman, or in his absence, another Director.

**This constitutes a deviation from the Norwegian Code of Practice which states that the general meeting should be chaired by an independent chairman.**

The Board considers that as the leader of the Group and having sufficient experience and knowledge, the Chairman is the most suitable person to chair a general meeting.

### Section 7 Nomination committee

**The Company has not established a nomination committee and there is no provision for establishing such committee in its Bye-Laws. This constitutes a deviation from the Norwegian Code of Practice.**

The Board considers that it could monitor the need for any changes in the composition of its members and to maintain contacts with shareholders, board committee members and executive personnel. The Board believes that the current board composition is sufficient to represent the interests of all shareholders.

The Board will undertake adequate due diligence in respect of such individual and consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

- (a) Reputation for integrity;
- (b) Accomplishment, experience and reputation in the shipping industry and other relevant sectors;
- (c) Commitment in respect of sufficient time, interest and attention to the Company's business;
- (d) Diversity in all aspects, including but not limited to gender, age, cultural / educational and professional background, skills, knowledge and experience;
- (e) The ability to assist and support management and make significant contributions to the Company's success;  
and
- (f) Any other relevant factors as may be determined by the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Company's Bye-Laws and other applicable rules and regulations.

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 8 Board of Directors: composition and independence

The Board has the ultimate responsibility for the management and administration of the affairs of the Company and for supervising day-to-day management and activities in general; it also has the overall responsibility for the Group's good corporate governance practices, internal control and risk management.

During the year, the Board comprised of four executive directors, including the Chairman and the Managing Director, and two non-executive directors. The Chairman is responsible for overseeing the functioning of the Board whilst the Managing Director, supported by the executive directors, is responsible for managing the Group's business, including the implementation of major strategies and initiatives adopted by the Board. All non-executive directors, who are shareholder-elected members and independent of executive personnel, material business contacts and main shareholders of the Company, serve the important function of advising the management on strategies development and ensure that the Group maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole.

All directors of the Company are kept informed on a timely basis of major changes that may affect the Group's business, including relevant rules and regulations. The Board meets regularly and approves the Group's overall strategies, major acquisitions and disposals, annual and quarterly results and any other significant operational and financial matters. Members of the Board are encouraged to own shares in the Company. The directors will seek independent professional advice in performing their duties where appropriate. Executive personnel have the responsibility for implementation of the Group's strategic planning and decision made by the Board and monitoring day-to-day operation of the Company.

Bye-Law 88 stipulates that notwithstanding any other provisions in the Company's Bye-Laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman and / or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As at date of this annual report, directors who hold office of the Company are listed below:

#### **Executive Directors**

Ng Siu Fai <sup>1</sup>, *Chairman*

Ng Kam Wah Thomas <sup>1</sup>, *Managing Director and Deputy Chairman*

Ng Ki Hung Frankie <sup>1</sup>

Ho Suk Lin Cathy <sup>1</sup>

#### **Non-executive Directors**

Tsui Che Yin Frank <sup>2</sup>

William Yau <sup>2</sup>

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 8 Board of Directors: composition and independence *(Continued)*

Notes:

1. Mr. Ng Siu Fai, Mr. Ng Kam Wah Thomas, Mr. Ng Ki Hung Frankie and Ms. Ho Suk Lin Cathy are executive directors of Jinhui Holdings Company Limited, the Company's holding company.
2. Mr. Tsui Che Yin Frank and Mr. William Yau are independent non-executive directors of Jinhui Holdings Company Limited.

**There are departures from the Norwegian Code of Practice which states that general meeting should elect the chairman of the board of directors; the board of directors should not include executive personnel; and the term of office for members of the board of directors should not be longer than two years at a time.**

Dry bulk shipping is a highly specialized industry, and requires executives with substantial amount of industry experience to fully comprehend and to monitor the performance of the Group. The Chairman and the Managing Director have extensive experience and knowledge in dry bulk shipping business and their duties for overseeing the functioning of the Board and all aspects of the Group's operations are clearly beneficial to the Group. Despite the executive directors being executive personnel of the Group and performing executive management function in day-to-day operations, the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability and the other two executive directors are with extensive experiences in shipping business and management. In addition, members of the Board are obliged to disqualify themselves from participation in handling of individual matters in which the board member, or its close associates, has a particular interest. The Company believes the current board composition is sufficient to represent the interests of all shareholders and this will not impair the balance of power and authority between the Board and the management of the Company. The biographical details of the directors of the Company are set out in "Board of Directors and Executive Personnel" on pages 30 and 31.

#### Board meetings attendance

The Board meets at least quarterly and on other occasions when a Board decision is required on major issues. In 2018, the Board held eight meetings. The attendance record of each member of the Board is set out below:

| <b>Executive Directors</b>     | <b>Attendance</b> |
|--------------------------------|-------------------|
| Ng Siu Fai                     | 5                 |
| Ng Kam Wah Thomas              | 8                 |
| Ng Ki Hung Frankie             | 7                 |
| Ho Suk Lin Cathy               | 8                 |
| <b>Non-executive Directors</b> |                   |
| Tsui Che Yin Frank             | 6                 |
| William Yau                    | 6                 |

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 9 The work of the Board of Directors

The Board deals with matters of strategic and major financial importance to the Company on a regular basis. At least one Board meeting per annum is set aside for discussion of the Group's strategies. During such meetings, the Board reviews the expectation of the Group's business outlook and financial forecast perspective and discusses the overall strategies going forward. In any material event that the Chairman has an active involvement, the Board meeting will be chaired by other members of the Board. In addition, the Company has established guidelines to make sure the directors of the Company and executive personnel would notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company and its subsidiaries and would pay particular attention to obtain independent valuations for any material transactions between the Group and its close associates. According to the Company Code, members of the Board are obliged to disqualify themselves from participation in handling of individual matters in which the board members, or its close associates, have a particular interest. These practices would ensure independence of matters to be considered by the Board. The Board has guidelines on its own works as well as for the executive personnel with clear internal allocation of responsibilities and duties.

### Board committees

The Board is assisted by two board committees which are Audit Committee and Remuneration 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 and members of such committees are restricted to members of the Board who are independent of executive personnel. They assist the Board in specific areas and make recommendations to the Board. However, only the Board has the power to make final decisions.

### Audit Committee

The Audit Committee was established on 17 March 2006. The members of Audit Committee comprised of two non-executive directors, namely Mr. Tsui Che Yin Frank (chairman of Audit Committee) 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.

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 9 The work of the Board of Directors *(Continued)*

#### Audit Committee *(Continued)*

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

#### Remuneration Committee

The Remuneration Committee was established on 17 March 2006. The members of Remuneration Committee comprised of two non-executive directors, namely Mr. Tsui Che Yin Frank (chairman of Remuneration Committee) and Mr. William Yau. The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive directors and executive personnel, including salaries, bonuses, benefits in kind, pension rights and compensation payments, and make recommendations to the Board on the fees for the non-executive directors. The Remuneration Committee should consider factors such as the performance of executive directors and executive personnel, the profitability of the Group, salaries paid by comparable companies, time commitment and responsibilities of the executive directors and executive personnel, 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.

As a matter of principle, no loans or advances are granted to any director. Presently, no share options are granted to any director by the Company.

The Remuneration Committee holds a meeting annually to review the remuneration to directors of the Company and executive personnel of the Group and makes recommendations to the Board.



# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 10 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 relevant legislation and regulations compliance. For the year 2018, 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.

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, including guidelines for corporate social responsibility.

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 10 Risk management and internal control *(Continued)*

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 relevant legislation and regulations. 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 and for reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group. 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 "Directors' Report" on pages 46 and 47 and note 37 to the consolidated financial statements on pages 106 to 112.

### Section 11 & 12 Remuneration of the Board of Directors and executive personnel

Directors' fees represent remuneration to members for holding capacity as directors of the Company and are determined based on the responsibility and expertise of the members, time commitment and the complexity of the Company's activities and do not link to the Company's performance. Directors' other emoluments represent remuneration to executive directors for being executive personnel of the Group and performing executive management functions in day-to-day operations and their other emoluments are determined based on guideline for the remuneration of the executive personnel. The guideline is also included in the Company's upcoming Notice of 2019 Annual General Meeting for shareholders' consideration.

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 11 & 12 Remuneration of the Board of Directors and executive personnel *(Continued)*

The guideline for the remuneration of executive personnel, which is considered an advisory guideline (non-binding) is as follows:

#### (a) Fixed remuneration component

For fixed elements which include non-performance-based fixed base salary and allowances, and contributions to retirement benefits schemes, these are assessed and determined by the complexity and responsibility of the position, with a view to attract, retain and motivate high performing individuals and in line with the prevailing market conditions and local market practice. No individual should determine his or her own fixed remuneration. Fixed remuneration to individual executive directors and executive personnel are reviewed annually by the Remuneration Committee and subject to the Board's approval.

#### (b) Variable remuneration component

For variable elements which include performance-based discretionary bonus, these are assessed and determined by the overall performance of the individual and contribution to the business strategy and objectives, as well as shareholders' values of the Company. No individual should determine his or her own variable remuneration. Variable remuneration to individual executive directors and executive personnel are reviewed annually by the Remuneration Committee and subject to the Board's approval.

Since the dry bulk shipping industry is highly volatile and heavily influenced by external forces, it is inappropriate to link the performance-based variable remuneration solely to any financial measurable targets over a particular period or set an absolute limit to each remuneration component as it may generate meaningless results. The Board seeks to ensure appropriate balance amongst all performance factors in determination of variable remuneration component to executive personnel.

**This constitutes deviations from the Norwegian Code of Practice which states that members of the board of directors should not take on specific assignments for the company in addition to their appointment as a member of the board; remuneration of the board of directors should not be linked to the company's performance; and performance-based remuneration to executive personnel should be based upon measurable targets and quantifiable factors over which the employee in question can have influence and the performance related remuneration should be subject to an absolute limit.**

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 11 & 12 Remuneration of the Board of Directors and executive personnel *(Continued)*

#### (b) Variable remuneration component *(Continued)*

Currently, the Company has not adopted any share option scheme and no equity-based compensation arrangement is granted to any directors and executive personnel. For any special equity-based compensation arrangement that will be granted to eligible executive personnel in future, these compensation arrangement will be determined by the individual's contribution to the promotion of and enhancement of the long term value of the Company. This equity-based remuneration will be considered by the Board and be included as a separate binding resolution in the general meeting subject to the shareholders' approval.

As mentioned in section 8, executive directors are performing executive personnel function, they received remuneration for additional duties as member of the Board. The Remuneration Committee has been established to assist the Board in developing and administering a fair procedure for determining on the specific remuneration packages of all executive directors and executive personnel of the Company. At the meeting held on 12 March 2019, the Remuneration Committee reviewed and made recommendations to the Board on the fees of the executive directors, other emoluments of the individual executive directors and executive personnel for the year 2018, and made recommendations to the Board on the remuneration packages of the individual executive directors and executive personnel for the year 2019 as well as fees for non-executive directors. Each component of remuneration to members of the Board are disclosed to the full board and approved by the Remuneration Committee and the Board. Details of the fees and other emoluments of the directors of the Company for the year 2018 are set out in note 11 to the consolidated financial statements.

### Section 13 Information and communications

Jinhui Shipping strives to promote efficient and non-discriminatory communication of information to market participants. In order to further promote effective communication, the Company maintains a website to disseminate information electronically on a timely basis.

#### Financial reporting

The Board is responsible for the accounts and the presentation of the financial results to shareholders in general meetings. The Board reviews the Group's financial position and exposure in the Board meetings with the management every quarter. In such Board meetings, the management presents the Group's financial performance and the market situation to the Board where key profitability and financial ratios and any changes to the Group's strategies in response to changing market situation are discussed.

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 13 Information and communications *(Continued)*

#### Financial reporting *(Continued)*

The quarterly results announcements are released by the Company for each quarter of a financial year within two months subsequent to each quarter end. Annual report together with audited consolidated financial statements are usually adopted by the Board within four months subsequent to each financial year end and are distributed to shareholders of the Company no later than 21 days prior to the annual general meeting.

The consolidated financial statements have been prepared in accordance with IFRS, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by IASB, and HKFRS which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The Company emphasizes the production of accounts and financial reporting in which shareholders and other investors alike can have confidence. Details of the Group's significant accounting policies are set out in note 4 to the consolidated financial statements.

#### Other market information

Jinhui Shipping has established guidelines for open communication of market information to market participants other than through general meeting. The Company also publishes major events such as annual general meeting, annual and quarterly reports, financial calendar, public presentations, and other material transactions through website of the Company at [www.jinhuiship.com](http://www.jinhuiship.com) and the NewsWeb of the Oslo Stock Exchange at [www.newsweb.no](http://www.newsweb.no).

### Section 14 Take-overs

**According to the Norwegian Code of Practice, the board of directors should establish guiding principles for how it will act in the event of a take-over bid. However, there is no provision in the Bye-Laws of the Company regulating the Board's competence in the event of a take-over bid.**

Nevertheless, the Board will adopt the provisions in the Norwegian Code of Practice as the guiding principles for how Company will act in the event of a take-over bid and will not attempt to influence, hinder or obstruct take-over bids for the Company's activities or shares.

In potential take-over situations, the Board will evaluate any offers that are commercially and financially beneficial to all shareholders of the Company, consider and arrange an independent valuation where the bidder is a major shareholder, and commit to act with extensive concern regarding representing the interest of all shareholders. The Board will follow the relevant rules and regulations as set out in the Norwegian Code of Practice in due course.

# Corporate Governance Report

## NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE *(Continued)*

### Section 15 Auditor

The Board strives to have close and open cooperation with Grant Thornton Hong Kong Limited, the auditor of the Company. The Audit Committee obtains annual confirmation that the auditor satisfies the independence and objectivity requirements. The auditor submits an annual audit plan and presents the main features and scope of the planned work to the Audit Committee before commencement of annual audit. Also, the auditor has presented to the Audit Committee a review of the Company's internal control systems, including identified weaknesses and proposals for improvement. The Board particularly assesses whether the auditor exercises an adequate control function and the performance of the auditor has been reviewed.

The auditor participates in meetings of the Board that deal with the annual accounts. At these meetings, the auditor reviews the material changes in the Group's accounting principles and policies, identifies the significant risks and exposures of the Group, and comments on the Group's accounting and internal control systems during the course of audit. The auditor also attends the annual general meeting of the Company.

The Board has issued guideline that regulate management's access to use the auditor of the Company for various services as follows:

Audit services – include audit services provided in connection with the audit of the financial statements.

Other services – include services that would normally be provided by auditor other than audit services, for example, audit of the Group's provident funds, tax compliance, due diligence and accounting advice related to merge and acquisition, internal control review of systems and / or processes, and issuance of special audit reports for tax or other purposes. The auditor is invited to undertake those services that it must or is best place to undertake in capacity as auditor.

Other specific services – include reviews of third parties to assess compliance with contracts, risk management diagnostics and assessments, and non-financial systems consultations. The auditor is also permitted to assist management with internal investigations and fact-finding into alleged improprieties, where appropriate and necessary. These services are subject to specific approval by the Audit Committee.

In the forthcoming general meeting, the Board will report the remuneration paid to auditor including the details of the fee paid for audit services and any fees paid for other specific assignments. In 2018, the remuneration paid and payable to the auditor of the Company for the provision of the Group's audit services and other services were US\$157,000 and US\$15,000 respectively. Fees paid for other services mainly included fees for tax compliance services of US\$5,000 and review of internal control systems of US\$3,000. The auditor's remuneration excluded VAT as the external auditor performed its services in Hong Kong, where no VAT being imposed.

# Board of Directors and Executive Personnel

## BOARD OF DIRECTORS

### **Mr. Ng Siu Fai, *Chairman***

Aged 62. Appointed as a Director of the Company since 1994. As one of the two founders of the Group in 1987, Mr. Ng was appointed as the chairman of Jinhui Holdings, the Company's holding company, in 1991. His responsibility is to formulate 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 and Deputy Chairman***

Aged 56. Appointed as a Director of the Company since 1994. Mr. Ng is the other founder of the Group in 1987 and was appointed as a director of Jinhui Holdings since 1991. He is 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 65. Appointed as a Director of the Company since 1994 and a director of Jinhui Holdings since 1991. 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. which is listed on the Hong Kong Stock Exchange since 2015 and Shanghai Stock Exchange on 15 February 2019.

### **Ms. Ho Suk Lin Cathy, *Executive Director***

Aged 55. Appointed as a Director and the Company Secretary of the Company since 1994 and a director of Jinhui Holdings since 1993. 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.

# Board of Directors and Executive Personnel

## BOARD OF DIRECTORS *(Continued)*

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

Aged 61. Appointed as a Non-executive Director of the Company since 2006 and an independent non-executive director of Jinhui Holdings since 1994. Mr. Tsui has extensive experience in investment and banking industries and held senior management positions at various international financial institutions. Mr. Tsui is a non-executive director of Melco International Development Limited 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**, *Non-executive Director*

Aged 51. Appointed as a Non-executive Director of the Company since 2006 and an independent non-executive director of Jinhui Holdings since 2004. 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, Fujian Shishi Rural Commercial Bank Co., Ltd. and Forum Restaurant (1977) Limited. Mr. Yau graduated with a Bachelor Degree of Computer Systems Engineering from the Carleton University in Canada.

## EXECUTIVE PERSONNEL

### **Mr. Ching Wei Man Raymond**, *Vice President*

Aged 44. 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 66. 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 Shipping and its subsidiaries for the year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are ship chartering and ship owning which are carried out internationally. There were no significant changes in the nature of the Group's principal activities during the year.

## REGISTERED OFFICE

The Company is an exempted company registered in Bermuda and its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year 2018 are set out in the "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 57.

The Board has resolved to recommend the payment of a final dividend of US\$0.023 per share for the year ended 31 December 2018 and such dividend, if approved by the shareholders at the forthcoming annual general meeting scheduled on 15 May 2019, will be paid to the beneficial owners of the shares of the Company whose names are registered in the Norwegian Verdipapirsentralen (the Norwegian Registry of Securities) at the close of business on 20 May 2019. The Company's shares listed on the Oslo Stock Exchange will be traded including dividend up until and including 15 May 2019. The ex dividend date is 16 May 2019 and the dividend will be paid on or about 5 June 2019. On 29 August 2018, the Board resolved to pay an interim dividend of US\$0.023 per share to the shareholders of the Company. The interim dividend was paid to the shareholders of the Company on 28 September 2018. The proposed final dividend as mentioned above, if approved, will bring the total dividends for 2018 to US\$0.046 per share.

## ALLOCATION OF NET PROFIT

The Board has proposed the net profit of the Group for the year 2018 amounting to US\$8,713,000 to be allocated as an addition to retained profits.

## 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.

## DIVIDEND POLICY

The amount and timing of any dividend distributions in the future will depend, among other things, on our compliance with covenants in our credit facilities, earnings, financial condition, cash position, Bermuda law affecting the dividend distributions, restrictions in our financing agreements and other factors. In addition, the declaration and payment of dividend distributions is subject at all times to the discretion of our Board.

## BUSINESS REVIEW

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

**Baltic Dry Index & Baltic Supramax Index**



Source: Bloomberg

# Directors' Report

## BUSINESS REVIEW *(Continued)*

| Average daily time charter equivalent rates | 2018        | 2017        |
|---|-------------|-------------|
|   | <i>US\$</i> | <i>US\$</i> |
| Post-Panamax fleet                          | 11,689      | 8,645       |
| Supramax / Handysize fleet                  | 9,743       | 8,063       |
| In average                                  | 9,922       | 8,111       |

As at 31 December 2018, the Group had nineteen owned vessels. The average daily time charter equivalent rate earned by the Group's owned vessels increased 22% to US\$9,922 for the year 2018 as compared to US\$8,111 for the year 2017 due to the remarkable recovered of dry bulk shipping market in the first half of 2018.

| Key Performance Indicators for Shipping Business | 2018        | 2017        |
|--|-------------|-------------|
|  | <i>US\$</i> | <i>US\$</i> |
| Average daily time charter equivalent rate       | 9,922       | 8,111       |
| Daily vessel running cost                        | 4,028       | 3,843       |
| Daily vessel depreciation                        | 2,081       | 2,072       |
| Daily vessel finance cost                        | 387         | 568         |
|  | 6,496       | 6,483       |
| Average utilization rate                         | 99%         | 99%         |

Daily vessel running cost slightly increased 5% from US\$3,843 for the year 2017 to US\$4,028 for the year 2018 due to mild inflation in crew wages. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants. Daily vessel finance cost decreased 32% from US\$568 for the year 2017 to US\$387 for the year 2018 mainly due to the interest saving from the reduction in outstanding loan principal upon repayment of all deferred installments for those loans restructured during the forbearance period of US\$31,407,000 to respective lenders and repayment of vessel mortgage loans, partially offset by the impact of rising LIBOR in 2018 as all of the Group's bank borrowings were committed on floating rate basis. Fleet utilization rate is 99% for the year 2018, which is same as the year 2017.

## BUSINESS REVIEW *(Continued)*

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

|                    | <b>Number of owned vessels</b> |
|--------------------|--------------------------------|
| Post-Panamax fleet | 2                              |
| Supramax fleet     | 17                             |
| <b>Total fleet</b> | <b>19</b>                      |

During the year, the Group had entered into four memorandums of agreement to dispose of four Supramaxes at a total consideration of US\$32.6 million. Following the disposal of four vessels, the Group's total carrying capacity had been reduced from deadweight 1,341,902 metric tons to 1,136,283 metric tons.

Subsequent to the reporting date, the Group entered into an agreement on 2 January 2019 to dispose a Supramax of deadweight 50,209 metric tons at a consideration of US\$7,381,000, which was delivered to the purchaser on 12 March 2019. For financial reporting purposes, the vessel with the net book value of US\$6,763,000 was reclassified to "Assets held for sale" in accordance with IFRS 5 and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" at the reporting date.

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

# Directors' Report

## FINANCIAL REVIEW

**Revenue and operating profit.** Revenue for the year 2018 increased 3% to US\$76,113,000, comparing to US\$73,547,000 for the year 2017. The Company recorded a consolidated net profit of US\$8,713,000 for the year 2018 while a consolidated net loss of US\$4,031,000 was reported in 2017. The consolidated net profit for the year 2018 was mainly attributable to the improved shipping revenue and the net gain of US\$5,437,000 from the completion of the disposal of four motor vessels in 2018. The average daily time charter equivalent rate earned by the Group's owned vessels increased 22% to US\$9,922 for the year 2018 as compared to US\$8,111 for the year 2017. Basic earnings per share for the year was US\$0.080 as compared to basic loss per share of US\$0.043 for the year 2017.

**Other operating income.** Other operating income for the year 2018 mainly included net gain on bunker of US\$1,813,000 arising from shipping operations, dividend income of US\$747,000 and settlement income of US\$450,000 from a charterer in relation to repudiation claims. Other operating income decreased from US\$11,758,000 for the year 2017 to US\$6,182,000 for the year 2018 due to the net gain of US\$4,052,000 on financial assets at fair value through profit or loss was recorded in 2017.

**Shipping related expenses.** Shipping related expenses dropped from US\$43,698,000 for the year 2017 to US\$37,877,000 for the current year. The decrease was mainly attributable to the reduced number of owned vessels. Daily vessel running cost slightly increased 5% from US\$3,843 for the year 2017 to US\$4,028 for the year 2018 due to mild inflation in crew wages. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

**Other operating expenses.** Other operating expenses increased from US\$7,529,000 for the year 2017 to US\$10,381,000 for the current year. The increase was mainly due to the recognition of net loss of US\$3,920,000 on financial assets at fair value through profit or loss when the impact of US-China trade war to global economies have begun to surface in the second half of 2018, and the global shipping market, stock and financial markets were affected with different magnitude.

**Finance costs.** Finance costs decreased to US\$3,161,000 for the year 2018, as compared to US\$5,177,000 for the year 2017 mainly due to the interest saving from the reduction in outstanding loan principal upon repayment of all deferred installments for those loans restructured during the forbearance period of US\$31,407,000 to respective lenders, repayment of vessel mortgage loans and repayment of revolving loans, partially offset by the impact of rising LIBOR in 2018 as all of the Group's bank borrowings were committed on floating rate basis.

**Financial assets at fair value through profit or loss.** As at 31 December 2018, the Group's portfolio of investment in financial assets at fair value through profit or loss was US\$39,843,000 (2017: US\$23,778,000), in which US\$34,928,000 (2017: US\$19,336,000) was investment in listed equity securities, US\$4,355,000 (2017: US\$4,442,000) was investment in listed debt securities and US\$560,000 (2017: nil) was investment in equity linked notes.

## FINANCIAL REVIEW *(Continued)*

**Liquidity, financial resources and capital structure.** As at 31 December 2018, the Group maintained positive working capital position of US\$69,172,000 (2017: US\$41,967,000) and the total of the Group's equity and debt securities, bank balances and cash decreased to US\$88,551,000 (2017: US\$101,920,000). During the year, the net cash generated from operations before working capital changes was US\$22,127,000 (2017: US\$23,813,000) and the net cash generated from operating activities after working capital changes was US\$2,794,000 (2017: US\$40,011,000). The significant working capital changes for the year were primarily attributed to the cash used for the settlement of accruals and other payables and in acquiring financial assets at fair value through profit or loss.

The Group's total secured bank loans dropped from US\$137,825,000 as of 31 December 2017 to US\$90,183,000 as at 31 December 2018, of which 27%, 9%, 45% and 19% are repayable respectively within one year, one to two years, two to five years and over five years. During the year, the Group had drawn new secured bank loans of US\$41,384,000 which included refinancing of certain vessels, revolving loans for working capital purpose and property mortgage loans for its investment properties. The Group repaid US\$89,026,000 that included repayment of all deferred installments for those loans restructured during the forbearance period of US\$31,407,000 to respective lenders, repayment of vessel mortgage loans and repayment of revolving loans. The bank borrowings represented vessel mortgage loans that were denominated in United States Dollars, revolving loans and property mortgage loans that were denominated in Hong Kong Dollars. All bank borrowings were committed on floating rate basis.

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

The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, decreased to 0.65% (2017: 15%) as at 31 December 2018. The drop in gearing ratio for the year was mainly attributable to the decrease in bank borrowings upon repayment of all deferred installments for those loans restructured in previous year and repayment of vessel mortgage loans. With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements. As at 31 December 2018, the Group is able to service its debt obligations, including principal and interest payments.

# Directors' Report

## FINANCIAL REVIEW *(Continued)*

**Cash flows.** The Company's consolidated statement of cash flows had been prepared in accordance with IAS 7 and HKAS 7. It provided information that enables users to evaluate the changes in the Group's inflows and outflows of cash and cash equivalents during the year.

The consolidated statement of cash flows was classified by operating, investing and financing activities and had been prepared under the indirect method, whereby operating profit or loss was adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

**Operating activities** – Cash flows arising from operating activities are primarily derived from the principal revenue-producing activities of the Group. The Group's net cash from operating activities for the year was US\$2,794,000 (2017: US\$40,011,000). Net cash from operating activities was determined by adjusting non-cash items such as depreciation and amortization, provisions and impairment losses; change in fair value of non-financial assets; changes in operating assets and liabilities consist of inventories, receivables and payables, and financial assets at fair value through profit or loss; and all other items for which the cash effects were included in investing or financing activities, such as net gain or loss on disposal of property, plant and equipment, investment properties and assets held for sale, dividend income and interest income; and including interest expenses paid during the year.

**Investing activities** – Cash flows arising from investing activities are primarily derived from cash proceeds or cash expenditures that result in a change in recognized assets in the consolidated statement of financial position which are not included in cash and cash equivalents. The Group's net cash from investing activities for the year was US\$28,792,000 (2017: US\$46,173,000). Net cash from investing activities mainly included interest received, dividend income received, cash payments or receipts in acquisition or disposal of property, plant and equipment and investment properties, proceeds from disposal of four vessels during the year, cash payment of unlisted equity investments and adjusting for cash flows resulting from the changes in long term bank deposits with more than three months to maturity when placed.

**Financing activities** – Cash flows arising from financing activities are primarily derived from cash proceeds or cash expenditures that result in changes in equity and subordinated liabilities. The Group's net cash used in financing activities for the year was US\$47,060,000 (2017: US\$49,996,000). Cash outflows from financing activities mainly due to repayment of various secured bank loans, including the repayment of all deferred installments for those loans restructured during the forbearance period to respective lenders, repayment of vessel mortgage loans and repayment of revolving loans during the year, and interim dividend paid to shareholders of the Company whereas cash inflows from financing activities represented the new secured bank loans from refinancing of certain vessels, revolving loans for working capital purpose and property mortgage loans for its investment properties during the year.

**Cash and cash equivalents** – Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. At the reporting date, the Group's cash and cash equivalents was US\$49,268,000 (2017: US\$64,742,000).

## FINANCIAL REVIEW *(Continued)*

**Pledge of assets.** As at 31 December 2018, the Group's property, plant and equipment with an aggregate net book value of US\$216,940,000 (2017: US\$252,450,000), investment properties with an aggregate carrying amount of US\$24,333,000 (2017: US\$14,328,000), and deposits of US\$3,426,000 (2017: US\$6,521,000) placed with banks were pledged together with the assignment of eighteen (2017: twenty three) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of ten (2017: eighteen) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

**Capital expenditures and commitments.** During the year, capital expenditure on additions of property, plant and equipment was US\$5,218,000 (2017: US\$4,976,000) and on investment properties was US\$8,774,000 (2017: nil).

On 20 April 2018, a wholly owned subsidiary of the Company (the "Co-Investor") entered into the co-investment documents to co-invest in a property project in Tower 3 of Shanghai Financial Street Center, Jing'an Central Business District, Shanghai, the PRC, pursuant to which the Co-Investor committed to acquire non-voting participating class A shares of the holding company of the co-investment vehicle of US\$10,000,000. During the year, the Co-Investor paid US\$4,827,000 in accordance with the terms and conditions of the co-investment documents and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$5,173,000. Details of the co-investment have been published in the Group's announcement on 20 April 2018, which is available on the website of the Company at [www.jinhuiship.com](http://www.jinhuiship.com) and the NewsWeb of the Oslo Stock Exchange at [www.newsweb.no](http://www.newsweb.no).

On 13 July 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of the investment properties at a consideration of HK\$63,000,000 (approximately US\$8,077,000). The investment properties are located in a prime commercial area in Hong Kong close to the Central district and are expected to generate steady and recurring stream of income for the Group. The completion date of the acquisition of the investment properties was 30 November 2018 and total costs capitalized were US\$8,774,000.

On 2 November 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of an investment property at a consideration of HK\$30,993,000 (approximately US\$3,973,000). The investment property is a Grade A office asset located in one of the most sought after central business district of Hong Kong and is expected to generate steady and recurring stream of income for the Group. The completion date of the acquisition of the investment property was 31 January 2019. During the year, the Group paid HK\$4,649,000 (approximately US\$596,000) in respect of the acquisition of the investment property, and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was HK\$26,344,000 (approximately US\$3,377,000).

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for net of deposits paid, was approximately US\$8,550,000 (2017: nil).



# Directors' Report

## PROPERTY, PLANT AND EQUIPMENT

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

## SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 39 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.

## RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in note 35 to the consolidated financial statements.

## EVENTS AFTER THE REPORTING DATE

Save as disclosed in note 36 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.

## GOING CONCERN

We confirm that the consolidated financial statements have been prepared under the assumption of going concern. This assumption is based on sound financial positions backed by cash inflow from operating activities, cash and marketable equity and debt securities, existing and available credit facilities and the Group's long term strategic and income forecasts. There exists good basis for the continued operations of the Group.

## AUDITOR

The consolidated financial statements for the year ended 31 December 2018 had been audited by Grant Thornton Hong Kong Limited. A resolution for the re-appointment of Grant Thornton Hong Kong Limited as the Company's auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

## EMPLOYEES

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. The Group remunerates its employees, including the Executive Directors, 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. As far as the Group is aware, it complies with all relevant applicable regulations concerning employment, social benefits and labour safety.

## EMPLOYEES *(Continued)*

The Group pursues a policy of gender equality. Workload and working hours depend on positions while promotion and recruitment depend on performance and experience. At 31 December 2018, the Group had 67 (2017: 69) full-time employees, of whom 36 (2017: 36) employees were male and 31 (2017: 33) employees were female. At 31 December 2018, the Board consists of six members, of whom five members are male and one member is female. Procedures regarding recruitment, promotion and salary review are carefully reviewed with due consideration to avoid gender discrimination. The Group aims to ensure equal opportunities and rights in workplace.

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.

## RESEARCH AND DEVELOPMENT

Given the nature of the Group's principal activities being ship chartering and ship owning which are carried out internationally, the Group had no research expenditure or development costs being expensed or capitalized during the year.

## 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.

During the year, absence due to sickness was 1.7% (2017: 1.2%) of the total hours worked by employees and there were no serious injuries or accidents of any kind among the employees of the Group. We also 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.

# Directors' Report

## 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.

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 (NO<sub>x</sub>) – 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 (SO<sub>x</sub>) – 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. We also adopted SEEMP Part II during the year. In 2018, targeted Carbon Dioxide emission had been reduced by 57,192 tons from 334,961 tons for the year 2017 to 277,769 tons for the year 2018 mainly due to the reduction of fleet size during the year 2018. In 2018, Vessels' Energy Efficiency Operating Indicator is about 12.2 grammes CO<sub>2</sub> / MT.Mile, an increase of thirteen percent as compared to 2017.

## EXTERNAL ENVIRONMENT ISSUES *(Continued)*

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.

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.

## 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  
Mr. Ng Kam Wah Thomas  
Mr. Ng Ki Hung Frankie  
Ms. Ho Suk Lin Cathy

### *Non-executive Directors:*

Mr. Tsui Che Yin Frank  
Mr. William Yau

In accordance with the Company's Bye-Laws, Mr. Tsui Che Yin Frank will retire from office at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

Brief biographical details of the Directors and executive personnel are set out in "Board of Directors and Executive Personnel" on pages 30 and 31.

## 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' Report

## 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.

## DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

### (i) Directors' interests in shares of the Company

| Name              | Number of shares in the Company held and capacity |                    |                          | Total     |
|-------------------|---|--------------------|--------------------------|-----------|
|                   | Beneficial owner                                  | Interest of spouse | Interest in corporation  |           |
| Ng Siu Fai        | 3,787,123   | 982,793            | 396,858<br><i>Note 1</i> | 5,166,774 |
| Ng Kam Wah Thomas | 864,900   | –                  | 260,000<br><i>Note 2</i> | 1,124,900 |

*Notes:*

1. Mr. Ng Siu Fai is deemed to be interested in 396,858 shares of the Company through his 51% owned company, Fairline Consultants Limited.
2. Mr. Ng Kam Wah Thomas is deemed to be interested in 260,000 shares of the Company through his wholly owned company, Timberfield Limited.

## DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES *(Continued)*

### (ii) Directors' interests in shares of Jinhui Holdings

Jinhui Holdings, the controlling shareholder of the Company, held 60,841,240 shares of the Company representing approximately 55.69% of the Company's issued shares as at 31 December 2018.

| Name               | Number of shares in Jinhui Holdings held and capacity |                    |                              | Total       |
|--------------------|---|--------------------|------------------------------|-------------|
|                    | Beneficial owner                                      | Interest of spouse | Interest in corporation      |             |
| Ng Siu Fai         | 22,699,000  | 15,140,000         | 205,325,568<br><i>Note 1</i> | 243,164,568 |
| Ng Kam Wah Thomas  | 5,909,000   | –                  | 136,883,712<br><i>Note 2</i> | 142,792,712 |
| Ng Ki Hung Frankie | 3,000,000   | –                  | –                            | 3,000,000   |
| Ho Suk Lin Cathy   | 3,850,000   | –                  | –                            | 3,850,000   |
| Tsui Che Yin Frank | 1,000,000   | –                  | –                            | 1,000,000   |
| William Yau        | 441,000   | –                  | –                            | 441,000     |

*Notes:*

1. Mr. Ng Siu Fai is deemed to be interested in 205,325,568 shares of Jinhui Holdings held by his 51% owned company, Fairline Consultants Limited.
2. Mr. Ng Kam Wah Thomas is deemed to be interested in 136,883,712 shares of Jinhui Holdings held by his wholly owned company, Timberfield Limited.
3. The number of issued shares of Jinhui Holdings as at 31 December 2018 was 530,289,480 shares.

Save as disclosed herein, none of the Directors or their associates had any interest either beneficially or non-beneficially in any shares of the Company, its holding company or any of its subsidiaries and associated corporations at the reporting date.

# Directors' Report

## CORPORATE GOVERNANCE

Jinhui Shipping recognizes the importance of good corporate governance to the Company's value creation. The corporate governance report of 2018 was set out in "Corporate Governance Report" on pages 11 to 29, which covered every section of Norwegian Code of Practice with the description of our conformance throughout the year and provided explanation of the reasons for the deviations. It also included the required report contents as set out in Section 3-3b of the Norwegian Accounting Act.

**Restrictions in the Bye-Laws of the Company that may limit the rights to freely trade the shares.** Jinhui Shipping's shares are freely traded in the Oslo Stock Exchange. The Company's shares are registered shares with its shareholders register located at Bermuda. Shareholders of the Company may transfer their shares by an instrument of transfer in the usual common form or in such form as decided by the Board. In general, all shares are freely negotiable. However, the Board may deny the transfer of shares according to the Bye-Law 48 of the Company. The Board has the option to decline to register the transfer of any share if the registration of such transfer would be likely to result in 50% or more of the aggregate issued share capital and the votes of the Company being held or owned directly or indirectly by a person or persons resident for tax purposes in Norway. This type of restriction is common for Bermuda and other low-tax jurisdiction companies listed on the Oslo Stock Exchange.

## 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 four memorandums of agreement to dispose of four Supramaxes at a total consideration of US\$32,560,000 with the net gain of US\$5,437,000 on completion of the disposal of these four vessels in the second half of 2018. 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. Given the cost side of our business is rather rigid, we believe a readjustment of fleet size according to the age profile 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 position and further strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio.

## RISK MANAGEMENT *(Continued)*

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 look out for opportunities to maintain a reasonably modern and competitive fleet, not ruling out any future disposal or acquisition of vessels and will make such decisions on an ad hoc basis to maintain a high financial flexibility and operational competitiveness.

**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 37 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 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.

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.



# Directors' Report

## RISK FACTORS

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

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

## OUTLOOK

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

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

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

## OUTLOOK *(Continued)*

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

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

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

On behalf of the Board of Directors of the Company, I would like to express our heartfelt appreciation to all customers and stakeholders for their ongoing support. Going forward, we will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under all kinds of scenarios. We will continue to exercise our best efforts to be a trustworthy business partner.

# Directors' Report

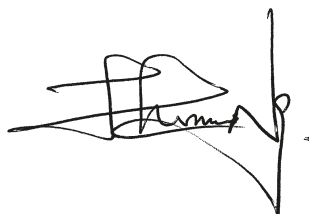
## PUBLICATION OF FINANCIAL INFORMATION

This report is available on the website of the Company at [www.jinhuiship.com](http://www.jinhuiship.com) and the NewsWeb of the Oslo Stock Exchange at [www.newsweb.no](http://www.newsweb.no).

22 March 2019



**Ng Siu Fai**  
*Chairman*



**Ng Kam Wah Thomas**  
*Managing Director and  
Deputy Chairman*



**Ng Ki Hung Frankie**  
*Executive Director*



**Ho Suk Lin Cathy**  
*Executive Director*



**Tsui Che Yin Frank**  
*Non-executive Director*



**William Yau**  
*Non-executive Director*

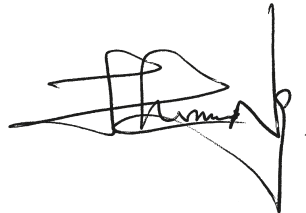
# Responsibility Statement

We confirm, to the best of our knowledge, that the audited consolidated financial statements for the year from 1 January to 31 December 2018 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operations of the Group and the Company, and that the Directors' Report includes a true and fair review of the development and performance of the business and the position of the Group and the Company together with a description of the key principal risks and uncertainty factors that the Group and the Company face.

22 March 2019




**Ng Siu Fai**  
*Chairman*



**Ng Kam Wah Thomas**  
*Managing Director and  
Deputy Chairman*



**Ng Ki Hung Frankie**  
*Executive Director*



**Ho Suk Lin Cathy**  
*Executive Director*

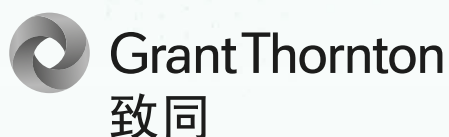


**Tsui Che Yin Frank**  
*Non-executive Director*



**William Yau**  
*Non-executive Director*

# Independent Auditor's Report



**To the members of  
Jinhui Shipping and Transportation Limited**  
*(Incorporated in Bermuda with limited liability)*

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### OPINION

We have audited the consolidated financial statements of Jinhui Shipping and Transportation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 117, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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.

# Independent Auditor's Report

## 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 4.10, 5 and 17 to the consolidated financial statements.  | Our audit procedures included:  |
| The Group's carrying amount of motor vessels and capitalised drydocking costs amounted to US\$204,290,000 as at 31 December 2018 and no impairment loss or reversal of impairment was recorded by the Group for the year.  | <ul style="list-style-type: none"><li>– evaluated the process of assessments of impairment indicators and indications of potential reversal of impairment of owned vessels adopted by the management; and</li></ul>   |
| 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 recognised in prior periods for owned vessels may no longer exist or may have decreased. | <ul style="list-style-type: none"><li>– assessed the reasonableness of the assessment prepared by the management by comparing the current year actual performance and prior year projections and by reference to the market and industry information.</li></ul> |
| 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.  |   |

# Independent Auditor's Report

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2018 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 IFRSs issued by IASB and HKFRSs issued by the HKICPA, 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 90 of the Bermuda Companies Act 1981 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 HKSAAs 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.

# Independent Auditor's Report

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

As part of an audit in accordance with HKSAAs, 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.




# Independent Auditor's Report

## 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

22 March 2019

Chan Tze Kit

Practising Certificate No.: P05707

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018

|   | Note | 2018<br>US\$'000 | 2017<br>US\$'000 |
|---|------|------------------|------------------|
| <b>Revenue</b>  | 7    | <b>76,113</b>    | 73,547           |
| Net gain on disposal of owned vessels   | 8    | <b>5,437</b>     | –                |
| Other operating income  |      | <b>6,182</b>     | 11,758           |
| Interest income   |      | <b>1,230</b>     | 1,748            |
| Shipping related expenses   |      | <b>(37,877)</b>  | (43,698)         |
| Staff costs   | 10   | <b>(11,237)</b>  | (8,356)          |
| Impairment loss on assets held for sale   | 13   | –                | (6,301)          |
| Other operating expenses  |      | <b>(10,381)</b>  | (7,529)          |
| <b>Operating profit before depreciation and amortization</b>  |      | <b>29,467</b>    | 21,169           |
| Depreciation and amortization   |      | <b>(17,593)</b>  | (20,023)         |
| <b>Operating profit</b>   |      | <b>11,874</b>    | 1,146            |
| Finance costs   |      | <b>(3,161)</b>   | (5,177)          |
| <b>Profit (Loss) before taxation</b>  |      | <b>8,713</b>     | (4,031)          |
| Taxation  | 14   | –                | –                |
| <b>Net profit (loss) for the year</b>   |      | <b>8,713</b>     | (4,031)          |
| <b>Other comprehensive income (loss)</b>  |      |                  |                  |
| <b>Items that will not be reclassified to profit or loss:</b>   |      |                  |                  |
| Change in fair value of financial assets<br>at fair value through OCI (non-recycling)                 |      | <b>(295)</b>     | –                |
| <b>Items that may be reclassified subsequently to profit or loss:</b>                                 |      |                  |                  |
| Change in fair value of financial assets<br>at fair value through OCI (recycling)                     |      | <b>14</b>        | –                |
| Change in fair value of available-for-sale financial assets   |      | –                | 13               |
| <b>Total comprehensive income (loss) for the year<br/>attributable to shareholders of the Company</b> |      | <b>8,432</b>     | (4,018)          |
| <b>Earnings (Loss) per share</b>  | 15   |                  |                  |
| – Basic and diluted   |      | <b>US\$0.080</b> | US\$(0.043)      |

# Consolidated Statement of Financial Position

As at 31 December 2018

|   | Note | 2018<br>US\$'000 | 2017<br>US\$'000 |
|---|------|------------------|------------------|
| <b>ASSETS</b>   |      |                  |                  |
| <b>Non-current assets</b>                             |      |                  |                  |
| Property, plant and equipment                         | 17   | 218,184          | 263,959          |
| Investment properties                                 | 18   | 24,333           | 15,632           |
| Financial assets at fair value through OCI            | 19   | 4,941            | –                |
| Available-for-sale financial assets                   |      | –                | 376              |
|   |      | <b>247,458</b>   | <b>279,967</b>   |
| <b>Current assets</b>                                 |      |                  |                  |
| Inventories   |      | 350              | 58               |
| Trade and other receivables                           | 21   | 14,529           | 17,003           |
| Financial assets at fair value through profit or loss | 22   | 39,843           | 23,778           |
| Pledged deposits                                      |      | 3,426            | 6,521            |
| Bank balances and cash                                | 23   | 49,268           | 78,142           |
|   |      | <b>107,416</b>   | <b>125,502</b>   |
| Assets held for sale                                  |      | 6,763            | –                |
|   |      | <b>114,179</b>   | <b>125,502</b>   |
| <b>Total assets</b>                                   |      | <b>361,637</b>   | <b>405,469</b>   |

# Consolidated Statement of Financial Position

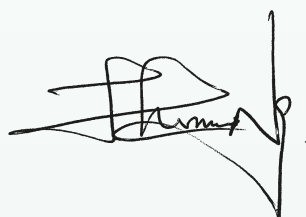
As at 31 December 2018

|                                     | Note | 2018<br>US\$'000 | 2017<br>US\$'000 |
|-------------------------------------|------|------------------|------------------|
| <b>EQUITY AND LIABILITIES</b>       |      |                  |                  |
| <b>Capital and reserves</b>         |      |                  |                  |
| Issued capital                      | 25   | 5,463            | 5,463            |
| Reserves                            |      | 245,490          | 239,571          |
| <b>Total equity</b>                 |      | <b>250,953</b>   | <b>245,034</b>   |
| <b>Non-current liabilities</b>      |      |                  |                  |
| Secured bank loans                  | 27   | 65,677           | 76,900           |
| <b>Current liabilities</b>          |      |                  |                  |
| Trade and other payables            | 28   | 20,411           | 22,526           |
| Amount due to holding company       |      | 90               | 84               |
| Secured bank loans                  | 27   | 24,506           | 60,925           |
|                                     |      | 45,007           | 83,535           |
| <b>Total equity and liabilities</b> |      | <b>361,637</b>   | <b>405,469</b>   |

Approved and authorized for issue on 22 March 2019



**Ng Siu Fai**  
Chairman



**Ng Kam Wah Thomas**  
Managing Director and  
Deputy Chairman



**Ng Ki Hung Frankie**  
Executive Director



**Ho Suk Lin Cathy**  
Executive Director



**Tsui Che Yin Frank**  
Non-executive Director



**William Yau**  
Non-executive Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2018

|   | Issued<br>capital<br>US\$'000 | Share<br>premium<br>US\$'000 | Capital<br>redemption<br>reserve<br>US\$'000 | Contributed<br>surplus<br>US\$'000 | Reserve for<br>available-for-<br>sale financial<br>assets<br>US\$'000 | Reserve for<br>financial<br>assets at<br>fair value<br>through OCI<br>US\$'000 | Retained<br>profits<br>US\$'000 | Total<br>equity<br>US\$'000 |
|---|-------------------------------|------------------------------|--|------------------------------------|---|--|---------------------------------|-----------------------------|
| At 1 January 2017   | 4,202                         | 72,087                       | 719  | 16,297                             | 25  | -  | 130,963                         | 224,293                     |
| <b>Comprehensive loss</b>   |                               |                              |  |                                    |   |  |                                 |                             |
| Net loss for the year   | -                             | -                            | -  | -                                  | -   | -  | (4,031)                         | (4,031)                     |
| <b>Other comprehensive income</b>                                     |                               |                              |  |                                    |   |  |                                 |                             |
| Change in fair value of<br>available-for-sale financial assets        | -                             | -                            | -  | -                                  | 13  | -  | -                               | 13                          |
| <b>Total comprehensive loss for the year</b>                          | -                             | -                            | -  | -                                  | 13  | -  | (4,031)                         | (4,018)                     |
| Issue of new shares upon rights issue                                 | 1,261                         | 23,498                       | -  | -                                  | -   | -  | -                               | 24,759                      |
| At 31 December 2017   | 5,463                         | 95,585                       | 719  | 16,297                             | 38  | -  | 126,932                         | 245,034                     |
| At 1 January 2018   | 5,463                         | 95,585                       | 719  | 16,297                             | 38  | -  | 126,932                         | 245,034                     |
| Reclassification upon the adoption of<br>IFRS 9 and HKFRS 9           | -                             | -                            | -  | -                                  | (38)  | 38   | -                               | -                           |
| At 1 January 2018 (adjusted)  | 5,463                         | 95,585                       | 719  | 16,297                             | -   | 38   | 126,932                         | 245,034                     |
| <b>Comprehensive income</b>   |                               |                              |  |                                    |   |  |                                 |                             |
| Net profit for the year   | -                             | -                            | -  | -                                  | -   | -  | 8,713                           | 8,713                       |
| <b>Other comprehensive loss</b>                                       |                               |                              |  |                                    |   |  |                                 |                             |
| Change in fair value of financial assets<br>at fair value through OCI | -                             | -                            | -  | -                                  | -   | (281)  | -                               | (281)                       |
| <b>Total comprehensive income<br/>for the year</b>                    | -                             | -                            | -  | -                                  | -   | (281)  | 8,713                           | 8,432                       |
| 2018 Interim dividend paid  | -                             | -                            | -  | -                                  | -   | -  | (2,513)                         | (2,513)                     |
| <b>At 31 December 2018</b>  | <b>5,463</b>                  | <b>95,585</b>                | <b>719</b>                                   | <b>16,297</b>                      | <b>-</b>  | <b>(243)</b>   | <b>133,132</b>                  | <b>250,953</b>              |

# Consolidated Statement of Cash Flows

Year ended 31 December 2018

|  | Note | 2018<br>US\$'000 | 2017<br>US\$'000 |
|--|------|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>  |      |                  |                  |
| Cash generated from operations   | 29   | 5,822            | 45,314           |
| Interest paid  |      | (3,028)          | (5,303)          |
| <b>Net cash from operating activities</b>  |      | <b>2,794</b>     | <b>40,011</b>    |
| <b>INVESTING ACTIVITIES</b>  |      |                  |                  |
| Interest received  |      | 1,436            | 2,059            |
| Decrease (Increase) in bank deposits with more than three months to maturity when placed |      | 13,400           | (13,400)         |
| Dividend income received   |      | 720              | 408              |
| Purchase of property, plant and equipment  |      | (5,218)          | (4,976)          |
| Purchase of investment properties  |      | (8,774)          | –                |
| Payment of unlisted equity investments   |      | (4,846)          | –                |
| Proceeds from disposal of property, plant and equipment, net                             |      | 32,074           | –                |
| Proceeds from disposal of investment properties, net                                     |      | –                | 442              |
| Proceeds from disposal of assets held for sale, net                                      |      | –                | 61,640           |
| <b>Net cash from investing activities</b>  |      | <b>28,792</b>    | <b>46,173</b>    |
| <b>FINANCING ACTIVITIES</b>  |      |                  |                  |
| New secured bank loans   |      | 41,384           | –                |
| Repayment of secured bank loans  |      | (89,026)         | (74,729)         |
| Decrease (Increase) in pledged deposits  |      | 3,095            | (26)             |
| Interim dividend paid to shareholders of the Company                                     |      | (2,513)          | –                |
| Proceeds from issue of new shares upon rights issue, net                                 |      | –                | 24,759           |
| <b>Net cash used in financing activities</b>   |      | <b>(47,060)</b>  | <b>(49,996)</b>  |
| <b>Net increase (decrease) in cash and cash equivalents</b>                              |      | <b>(15,474)</b>  | <b>36,188</b>    |
| <b>Cash and cash equivalents at 1 January</b>  |      | <b>64,742</b>    | <b>28,554</b>    |
| <b>Cash and cash equivalents at 31 December</b>  | 23   | <b>49,268</b>    | <b>64,742</b>    |

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 1. GENERAL INFORMATION

Jinhui Shipping and Transportation Limited was incorporated on 16 May 1994 and registered as an exempted company with limited liability in Bermuda. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares are listed on the Oslo 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 Group is controlled by Jinhui Holdings Company Limited, a company incorporated in Hong Kong which holds approximately 55.69% of the Company's shares at the reporting date. The registered office of Jinhui Holdings, where its consolidated accounts can be obtained, locates at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong, PRC.

The consolidated financial statements for the year ended 31 December 2018 were approved for issue by the Board on 22 March 2019.

## 2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board, and 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.

## 3. ADOPTION OF NEW OR AMENDED IFRSs AND HKFRSs

In current year, the Group has applied for the first time, the following new IFRSs and HKFRSs, amendments and interpretations to IFRSs and HKFRSs issued by the IASB and the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2018.

|                                  |  |
|----------------------------------|--|
| IFRS 9 and HKFRS 9               | Financial Instruments  |
| IFRS 15 and HKFRS 15             | Revenue from Contracts with Customers and related amendments |
| Amendments to IAS 40 and HKAS 40 | Transfers of Investment Property                             |

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 3. ADOPTION OF NEW OR AMENDED IFRSs AND HKFRSs (Continued)

### IFRS 9 and HKFRS 9 Financial Instruments

IFRS 9 and HKFRS 9 replace IAS 39 and HKAS 39 “Financial Instruments: Recognition and Measurement”. They introduce new requirements for the classification and measurement of financial assets, financial liabilities, new general hedge accounting requirements and impairment requirements for financial assets.

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

#### *Classification and measurement of financial assets at amortized cost*

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

- (a) The asset is held within a business model with the objective of collecting the contractual cash flows; and
- (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All trade and other receivables, pledged deposits, and bank balances and cash continue to be measured at amortized cost, as these items meet the criteria to be classified as at amortized cost in accordance with IFRS 9 and 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 which the contractual cash flows are solely principal and interest and the objective of the Group’s business model are achieved both by collecting contractual cash flows and selling financial assets.

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



# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 3. ADOPTION OF NEW OR AMENDED IFRSs AND HKFRSs (Continued)

### IFRS 9 and 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.

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

*New impairment requirements for financial assets*

IFRS 9 and HKFRS 9 require an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 and 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 IFRS 9 and HKFRS 9, which require expected lifetime losses to be recognized from initial recognition of the receivables. There was no significant impact on impairment of financial assets under the new expected credit loss model.

### IFRS 15 and HKFRS 15 Revenue from Contracts with Customers

IFRS 15 and HKFRS 15 replace IAS 18 and HKAS 18 which cover contracts for goods and services and IAS 11 and HKAS 11 which cover 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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 3. ADOPTION OF NEW OR AMENDED IFRSs AND HKFRSs (Continued)

### IFRS 15 and HKFRS 15 Revenue from Contracts with Customers (Continued)

The adoption of IFRS 15 and HKFRS 15: Revenue from Contracts with Customers have no significant impact on the recognition of the Group's revenue. Whilst there are many forms of charter of varying lengths in shipping business, our revenue from operation mainly comprises chartering freight and hire income. Freight income under voyage charter is accrued over the period from the date of loading of charterer's cargo to the date of discharging the cargo and is recognized on percentage of completion basis measured by time proportion of each voyage charter contract. 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 IFRS 15 and HKFRS 15. Hence, the application of IFRS 15 and HKFRS 15 have no significant impact on the recognition of the Group's revenue. For hire income under time charter, as ship owners and lessors, the Group continues to classify its time charter contract as operating lease, and hire income is recognized on a straight-line basis over the period of each time charter contract.

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

At the date of authorization of these consolidated financial statements, certain other new or amended IFRSs and 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.

|   |  |
|---|--|
| IFRS 16 and HKFRS 16                                      | Leases <sup>1</sup>  |
| IFRS 17 and HKFRS 17                                      | Insurance Contracts <sup>3</sup>   |
| Amendments to IFRS 9 and HKFRS 9                          | Prepayment Features with Negative Compensation <sup>1</sup>  |
| Amendments to IFRS 10 and HKFRS 10 and IAS 28 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup> |
| Amendments to IAS 19 and HKAS 19                          | Plan Amendment, Curtailment or Settlement <sup>1</sup>   |
| Amendments to IAS 28 and HKAS 28                          | Long-term Interests in Associates and Joint Ventures <sup>1</sup>                                  |
| Amendments to IFRS 3 and HKFRS 3                          | Definition of a Business <sup>2</sup>  |
| Amendments to IFRSs and HKFRSs                            | Annual Improvements to IFRSs and HKFRSs 2015-2017 Cycle <sup>1</sup>                               |
| IFRIC and HK(IFRIC) – Int 23                              | Uncertainty over Income Tax Treatments <sup>1</sup>  |

#### Notes:

1. Effective for annual periods beginning on or after 1 January 2019
2. Effective for annual periods beginning on or after 1 January 2020
3. Effective for annual periods beginning on or after 1 January 2021
4. Effective date not yet determined

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 3. ADOPTION OF NEW OR AMENDED IFRSs AND HKFRSs (Continued)

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 and their expected impact on the Group's accounting policies is provided below. Other new standards and interpretations have also been issued but are not expected to have material impact on the Group's consolidated financial statements.

### IFRS 16 and HKFRS 16 Leases

IFRS 16 and HKFRS 16 replace IAS 17 and HKAS 17 "Leases" upon the effective date on 1 January 2019 and the new IFRS 16 and 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, IFRS 16 and HKFRS 16 substantially carry forward the lessor accounting requirements in IAS 17 and 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 management expects that the possible impact of the initial adoption of IFRS 16 and HKFRS 16 will not be material. The expected changes in accounting policies as described above would not expect to have a material impact on the Group's results and financial position in the first year of application.

## 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 except for: investment properties; financial assets at fair value through profit or loss and financial assets at fair value through OCI 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.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 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 Foreign currency translation

The consolidated financial statements are presented in United States 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.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.4 Foreign currency translation *(Continued)*

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 United States Dollars. Assets and liabilities have been translated into United States Dollars at the closing rates at the reporting date. Income and expenses have been converted into United States 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.

### 4.5 Revenue recognition

Revenue mainly arises from the operations of ship chartering or owning business comprises chartering freight and hire income.

To determine whether to recognize revenue, the Group follows a five-step process:

- (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

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized over time, when (or as) the Group satisfies performance obligations by transferring the promised services to its customers. Further details of the Group's revenue recognition policies are as follows:

- (a) Hire income under time charter is accounted for as operating lease and is recognized on a straight-line basis over the period of each time charter contract.
- (b) Freight income under voyage charter is accrued over the period from the date of loading of charterer's cargo to the date of discharging the cargo and is recognized on percentage of completion basis measured by time proportion of each voyage charter contract. 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.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.6 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.

### 4.7 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.

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.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.8 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.

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.

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 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.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.9 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 change in the fair value or the sale of an investment property is recognized in profit or loss in the period in which they arise.

### 4.10 Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries 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 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.



# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.11 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.

### 4.12 Financial assets

#### ***Policy applicable from 1 January 2018***

Financial assets are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets expire, or when the financial asset and substantially all of its risks and rewards of ownership are transferred.

#### *Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 and HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss, plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are classified into the following categories:

- amortized cost;
- fair value through profit or loss; or
- fair value through OCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within other operating income, interest income, other operating expenses and finance costs, except for ECL of trade receivables which is presented in other operating expenses.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.12 Financial assets *(Continued)*

#### **Policy applicable from 1 January 2018 *(Continued)***

##### *Subsequent measurement of financial assets*

##### Debt investments

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as fair value through profit or loss):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Interest income from these financial assets is included in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's bank balances and cash, pledged deposits and trade and other receivables fall into this category of financial instruments.

##### Financial assets at fair value through OCI – recycling

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

##### Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorized at fair value through profit or loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at fair value through profit or loss.

##### Equity investments

An investment in equity securities is classified as fair value through profit or loss unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at fair value through OCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income and accumulated in “Reserve for financial assets at fair value through OCI” in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.12 Financial assets *(Continued)*

#### **Policy applicable from 1 January 2018 *(Continued)***

##### *Subsequent measurement of financial assets *(Continued)**

##### *Equity investments *(Continued)**

The equity instruments at fair value through OCI are not subject to impairment assessment. The cumulative gain or loss in "Reserve for financial assets at fair value through OCI" will not be reclassified to profit or loss upon disposal of the equity investments.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Dividends are included in the "other operating income" in profit or loss.

##### *Impairment of financial assets*

IFRS 9 and HKFRS 9's impairment requirements use more forward-looking information to recognize ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortized cost and trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

For trade receivables, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

For other financial assets measured at amortized cost, the Group measures the loss allowance for these financial assets equal to 12-month ECL (which is recognized at the stage of the financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk), unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL (which is recognized at the stage of the financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low). The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.12 Financial assets *(Continued)*

#### **Policy applicable from 1 January 2018 *(Continued)***

##### *Impairment of financial assets (Continued)*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.12 Financial assets *(Continued)*

#### **Policy applicable before 1 January 2018 *(Continued)***

##### *Impairment of financial assets *(Continued)**

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.

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.

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.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.12 Financial assets *(Continued)*

#### **Policy applicable before 1 January 2018 *(Continued)***

##### *Impairment of financial assets (Continued)*

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.

### 4.13 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.

### 4.14 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 expired.

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.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.14 Financial liabilities *(Continued)*

#### *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.

### 4.15 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 IFRS 13 and 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.

### 4.16 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.

### 4.17 Share capital

Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.18 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.

### 4.19 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.



# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.19 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.

### 4.20 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.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

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

### 4.21 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.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 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 2017, 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. As at 31 December 2018, the carrying amount of the owned vessels was US\$204,290,000 (2017: US\$248,975,000).

### **Impairment of trade receivables and other financial assets**

As at 31 December 2018, the carrying amount of the trade receivables was US\$1,410,000 (2017: US\$2,056,000). For trade receivables, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

For other financial assets measured at amortized cost, the Group measures the loss allowance for these financial assets equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 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.

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:

|   | 2018<br>US\$'000 | 2017<br>US\$'000 |
|---|------------------|------------------|
| Chartering freight and hire income:               |                  |                  |
| Hire income under time charters <sup>1</sup>      | 76,113           | 70,506           |
| Freight income under voyage charters <sup>2</sup> | –                | 3,041            |
|   | <b>76,113</b>    | <b>73,547</b>    |

### Notes:

1. Hire income under time charter is accounted for as operating lease and is recognized on a straight-line basis over the period of each time charter contract.
2. Freight income under voyage charter is accrued over the period from the date of loading of charterer's cargo to the date of discharging the cargo and is recognized on percentage of completion basis measured by time proportion of each voyage charter contract.

### Information about major charterers

Revenue of US\$31,182,000 (2017: US\$17,180,000) and US\$21,270,000 (2017: US\$12,390,000) were derived from two charterers that contributed 41% (2017: 23%) and 28% (2017: 17%) respectively to the Group's revenue for the year 2018.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 7. REVENUE (Continued)

### Information about geographical distribution

Revenue from external customers (charterers) is as follows:

|   | 2018<br>US\$'000 | 2017<br>US\$'000 |
|---|------------------|------------------|
| <i>Geographical split of revenue by charterers' location:</i> |                  |                  |
| China   | 69,687           | 58,903           |
| Singapore   | 5,711            | 9,949            |
| Japan   | 408              | 1,782            |
| Germany   | 285              | 246              |
| Australia   | –                | 1,048            |
| South Korea   | –                | 671              |
| Norway  | –                | 285              |
| Denmark   | –                | 211              |
| Other countries   | 22               | 452              |
|   | <b>76,113</b>    | <b>73,547</b>    |

## 8. NET GAIN ON DISPOSAL OF OWNED VESSELS

During the year, the Group took the opportunity to enter into four memorandums of agreement to dispose of four Supramaxes at a total consideration of US\$32,560,000 with the net gain of US\$5,437,000 on completion of the disposal of these four vessels in the second half of 2018.

## 9. OTHER OPERATING INCOME

Other operating income for the year 2018 mainly included net gain on bunker of US\$1,813,000 arising from shipping operations, dividend income of US\$747,000 and settlement income of US\$450,000 from a charterer in relation to repudiation claims.

Other operating income for the year 2017 mainly included net gain of US\$4,052,000 on financial assets at fair value through profit or loss, change in fair value of investment properties of US\$1,087,000 and settlement income of US\$1,064,000 from a charterer in relation to repudiation claims.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 10. STAFF COSTS

|  | 2018            | 2017            |
|--|-----------------|-----------------|
|  | <i>US\$'000</i> | <i>US\$'000</i> |
| Directors' emoluments (excluding directors' fees): |                 |                 |
| Salaries and other benefits                        | <b>6,306</b>    | 3,540           |
| Contributions to retirement benefits schemes       | <b>350</b>      | 184             |
| Other staff costs:                                 |                 |                 |
| Salaries and other benefits                        | <b>4,424</b>    | 4,452           |
| Contributions to retirement benefits schemes       | <b>157</b>      | 180             |
|  | <b>11,237</b>   | 8,356           |

At the reporting date, the Group has 67 (2017: 69) full-time employees.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 11. DIRECTORS' EMOLUMENTS

|                                | Directors' fees <sup>1</sup> | Salaries and allowances <sup>2</sup> | Discretionary bonus <sup>2</sup> | Contributions to retirement benefits schemes <sup>2</sup> | Total        |
|--------------------------------|------------------------------|--------------------------------------|----------------------------------|---|--------------|
|                                | US\$'000                     | US\$'000                             | US\$'000                         | US\$'000  | US\$'000     |
| <b>2018</b>                    |                              |                                      |                                  |   |              |
| <b>Executive Directors</b>     |                              |                                      |                                  |   |              |
| Ng Siu Fai                     | 248                          | 2,769                                | 231                              | 166   | 3,414        |
| Ng Kam Wah Thomas              | 248                          | 2,769                                | 231                              | 166   | 3,414        |
| Ng Ki Hung Frankie             | 170                          | 123                                  | –                                | 7   | 300          |
| Ho Suk Lin Cathy               | 60                           | 183                                  | –                                | 11  | 254          |
| <b>Non-executive Directors</b> |                              |                                      |                                  |   |              |
| Tsui Che Yin Frank             | 28                           | –                                    | –                                | –   | 28           |
| William Yau                    | 23                           | –                                    | –                                | –   | 23           |
|                                | <b>777</b>                   | <b>5,844</b>                         | <b>462</b>                       | <b>350</b>  | <b>7,433</b> |
| <b>2017</b>                    |                              |                                      |                                  |   |              |
| <b>Executive Directors</b>     |                              |                                      |                                  |   |              |
| Ng Siu Fai                     | 248                          | 1,385                                | 231                              | 83  | 1,947        |
| Ng Kam Wah Thomas              | 248                          | 1,385                                | 231                              | 83  | 1,947        |
| Ng Ki Hung Frankie             | 170                          | 123                                  | –                                | 7   | 300          |
| Ho Suk Lin Cathy               | 60                           | 185                                  | –                                | 11  | 256          |
| <b>Non-executive Directors</b> |                              |                                      |                                  |   |              |
| Tsui Che Yin Frank             | 28                           | –                                    | –                                | –   | 28           |
| William Yau                    | 23                           | –                                    | –                                | –   | 23           |
|                                | <b>777</b>                   | <b>3,078</b>                         | <b>462</b>                       | <b>184</b>  | <b>4,501</b> |

**Notes:**

1. The directors' fees were provided by the Company. None of the Directors received directors' fees from its subsidiaries.
2. Directors' other emoluments, which included salaries and allowances, discretionary bonus and contributions to retirement benefits schemes, were provided by a subsidiary.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 12. OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION

This is stated after charging / (crediting):

|  | 2018     | 2017     |
|--|----------|----------|
|  | US\$'000 | US\$'000 |
| Auditor's remuneration <sup>1</sup> :  |          |          |
| Audit services   | 157      | 152      |
| Other services   | 15       | 12       |
| Hire payments under time charters  | –        | 1,228    |
| Rent and rates payments in respect of premises                                     | 81       | 135      |
| Net loss (gain) on financial assets at fair value through profit or loss           |          |          |
| Realized gain on financial assets at fair value through profit or loss             | (383)    | (1,865)  |
| Unrealized loss (gain) on financial assets<br>at fair value through profit or loss | 4,303    | (2,187)  |
| Interest income in respect of:   |          |          |
| Financial assets at fair value through profit or loss                              | (269)    | (955)    |
| Deposits with banks and other financial institutions                               | (754)    | (517)    |
| Interest-bearing note  | (207)    | (276)    |
| Dividend income  | (747)    | (451)    |
| Net gain on disposal of investment properties                                      | –        | (3)      |
| Change in fair value of investment properties                                      | 73       | (1,087)  |
| Reversal of impairment loss on trade and other receivables                         | (36)     | (59)     |
| Net exchange gain  | (29)     | (19)     |
| Gross rental income from operating leases on investment properties                 | (282)    | (260)    |
| Outgoings in respect of investment properties                                      | 15       | 13       |
| Bad debts written off  | 37       | –        |

Note:

1. The auditor's remuneration disclosed above excluded VAT and fees paid for other services mainly included fees for tax compliance services of US\$5,000 (2017: US\$2,000) and review of internal control systems of US\$3,000 (2017: US\$4,000).

## 13. IMPAIRMENT LOSS ON ASSETS HELD FOR SALE

For the year 2017, the Group entered into five memorandums of agreement to dispose four Supramaxes and one Handysize at a total consideration of US\$63,000,000. For financial reporting purposes, these five disposed vessels were reclassified to "Assets held for sale" in accordance with IFRS 5 and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale (disposed vessels) of US\$6,301,000 was recognized in 2017 upon reclassification to assets held for sale.



# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 14. TAXATION

Taxation has not been provided as the Group has no assessable profit for the year (2017: nil).

There was no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company for the year.

The Company has received from the Minister of Finance of Bermuda under The Exempted Undertakings Tax Protection Act 1966, as amended, an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital asset gain or appreciation or any tax in the nature of estate duty or inheritance tax, the imposition of such tax shall not until 31 March 2035 be applicable to the Company or to any of its operations, or to the shares, debentures or other obligations of the Company.

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

|   | <b>2018</b>     | 2017     |
|---|-----------------|----------|
|   | <b>US\$'000</b> | US\$'000 |
| Profit (Loss) before taxation   | <b>8,713</b>    | (4,031)  |
| Income tax at the applicable tax rates in the tax jurisdictions concerned | <b>(2,443)</b>  | (276)    |
| Non-deductible expenses   | <b>686</b>      | 267      |
| Tax exempted revenue  | <b>(487)</b>    | (708)    |
| Unrecognized tax losses   | <b>2,253</b>    | 1,165    |
| Unrecognized temporary differences  | <b>(9)</b>      | (5)      |
| Utilization of previously unrecognized tax losses                         | -               | (443)    |
| Taxation charge for the year  | -               | -        |

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 15. EARNINGS (LOSS) PER SHARE

|  | 2018               | 2017        |
|--|--------------------|-------------|
| Weighted average number of ordinary shares in issue                      | <b>109,258,943</b> | 94,667,104  |
| Net profit (loss) attributable to shareholders of the Company (US\$'000) | <b>8,713</b>       | (4,031)     |
| Basic and diluted earnings (loss) per share                              | <b>US\$0.080</b>   | US\$(0.043) |

The weighted average number of ordinary shares for the calculation of the basic and diluted loss per share for the year 2017 have been adjusted to reflect the impact of the rights issue following the completion of the rights issue in August 2017.

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

## 16. DIVIDENDS

|  | 2018            | 2017            |
|--|-----------------|-----------------|
|  | <i>US\$'000</i> | <i>US\$'000</i> |
| 2018 interim dividend, declared of US\$0.023 per share | <b>2,513</b>    | –               |
| 2018 final dividend, proposed of US\$0.023 per share   | <b>2,513</b>    | –               |
|  | <b>5,026</b>    | –               |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting scheduled on 15 May 2019.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 17. PROPERTY, PLANT AND EQUIPMENT

|   | <b>Motor vessels <sup>1</sup><br/>and capitalized<br/>drydocking<br/>costs<br/>US\$'000</b> | <b>Leasehold<br/>land and<br/>buildings<br/>US\$'000</b> | <b>Others<br/>US\$'000</b> | <b>Total<br/>US\$'000</b> |
|---|---|--|----------------------------|---------------------------|
| <b>Cost</b>   |   |  |                            |                           |
| At 1 January 2017                                       | 1,088,455   | 27,279   | 6,972                      | 1,122,706                 |
| Reclassification to assets held for sale                | (216,032)   | –  | –                          | (216,032)                 |
| Additions   | 4,971   | –  | 5                          | 4,976                     |
| Disposals / write-off                                   | (5,208)   | –  | (33)                       | (5,241)                   |
| <b>At 31 December 2017</b>                              | <b>872,186</b>  | <b>27,279</b>  | <b>6,944</b>               | <b>906,409</b>            |
| Reclassification to assets held for sale <sup>3</sup>   | (35,081)  | –  | –                          | (35,081)                  |
| Additions   | 5,210   | –  | 8                          | 5,218                     |
| Disposals / write-off <sup>2</sup>                      | (131,305)   | –  | (123)                      | (131,428)                 |
| <b>At 31 December 2018</b>                              | <b>711,010</b>  | <b>27,279</b>  | <b>6,829</b>               | <b>745,118</b>            |
| <b>Accumulated depreciation<br/>and impairment loss</b> |   |  |                            |                           |
| At 1 January 2017                                       | 757,925   | 12,956   | 5,187                      | 776,068                   |
| Reclassification to assets held for sale                | (148,400)   | –  | –                          | (148,400)                 |
| Charge for the year                                     | 18,894  | 836  | 293                        | 20,023                    |
| Eliminated on disposals / write-off                     | (5,208)   | –  | (33)                       | (5,241)                   |
| <b>At 31 December 2017</b>                              | <b>623,211</b>  | <b>13,792</b>  | <b>5,447</b>               | <b>642,450</b>            |
| Reclassification to assets held for sale <sup>3</sup>   | (28,318)  | –  | –                          | (28,318)                  |
| Charge for the year                                     | 16,495  | 837  | 261                        | 17,593                    |
| Eliminated on disposals / write-off <sup>2</sup>        | (104,668)   | –  | (123)                      | (104,791)                 |
| <b>At 31 December 2018</b>                              | <b>506,720</b>  | <b>14,629</b>  | <b>5,585</b>               | <b>526,934</b>            |
| <b>Net book value</b>                                   |   |  |                            |                           |
| <b>At 31 December 2018</b>                              | <b>204,290</b>  | <b>12,650</b>  | <b>1,244</b>               | <b>218,184</b>            |
| At 31 December 2017                                     | 248,975   | 13,487   | 1,497                      | 263,959                   |

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

1. All motor vessels are held for use under operating leases.
2. Disposal of motor vessels:  
During the year, the Group took the opportunity to enter into four memorandums of agreement to dispose of four Supramaxes with the total net book value of US\$26,637,000 at a total consideration of US\$32,560,000. The net gain of US\$5,437,000 was recognized by the Group upon the completion of the disposal of these four vessels in the second half of 2018.
3. Reclassification to assets held for sale:  
Subsequent to the reporting date, the Group entered into an agreement on 2 January 2019 to dispose a Supramax of deadweight 50,209 metric tons at a consideration of US\$7,381,000. The vessel was delivered to the purchaser on 12 March 2019. For financial reporting purposes, the vessel with the net book value of US\$6,763,000 was reclassified to "Assets held for sale" in accordance with IFRS 5 and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" at the reporting date.

For the year 2017, the Group entered into five memorandums of agreement to dispose four Supramaxes and one Handysize at a total consideration of US\$63,000,000. For financial reporting purposes, these five disposed vessels were reclassified to "Assets held for sale" in accordance with IFRS 5 and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with a total impairment loss on assets held for sale (disposed vessels) of US\$6,301,000 was recognized in 2017 upon reclassification to assets held for sale.

## 18. INVESTMENT PROPERTIES

|                      | 2018<br>US\$'000 | 2017<br>US\$'000 |
|----------------------|------------------|------------------|
| At 1 January         | 15,632           | 14,984           |
| Additions            | 8,774            | –                |
| Disposals            | –                | (439)            |
| Change in fair value | (73)             | 1,087            |
| At 31 December       | <b>24,333</b>    | 15,632           |

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.

On 13 July 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of the investment properties at a consideration of HK\$63,000,000 (approximately US\$8,077,000) and the total costs of investment properties capitalized upon the completion of acquisition were US\$8,774,000.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 18. INVESTMENT PROPERTIES (Continued)

On 2 November 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of an investment property at a consideration of HK\$30,993,000 (approximately US\$3,973,000). The completion date of the acquisition of the investment property was 31 January 2019. During the year, the Group paid HK\$4,649,000 (approximately US\$596,000) in respect of the acquisition of the investment property, and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was HK\$26,344,000 (approximately US\$3,377,000).

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

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           |  | Relationship of significant unobservable inputs to fair value  |
|------------|----------------------|--------------------------|---|--|--|--|
|            |                      |                          |   | 2018                                   | 2017                                   |  |
| 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 | US\$1,600 – US\$3,200 per square feet  | US\$2,200 – US\$2,400 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  | US\$410,000 – US\$603,000 per car park | US\$410,000 – US\$420,000 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    |

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

|  | <b>2018</b>     |
|--|-----------------|
|  | <b>US\$'000</b> |
| Unlisted equity investments  |                 |
| Co-investment in a property project                                | <b>4,846</b>    |
| Change in fair value <sup>1</sup>                                  | <b>(295)</b>    |
|  | <b>4,551</b>    |
| Unlisted club membership   |                 |
| At 1 January, reclassified upon the adoption of IFRS 9 and HKFRS 9 | <b>376</b>      |
| Change in fair value <sup>2</sup>                                  | <b>14</b>       |
|  | <b>390</b>      |
|  | <b>4,941</b>    |

*Notes:*

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI *(Continued)*

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

There is no quoted market price in active market for unlisted equity investments. Transactions in such investments do not occur on a regular basis. The Group uses its net asset value to determine its fair value as the Group determined that this is the fair price at which shareholders subscribe and redeem the investments or determined its fair value with generally accepted pricing models. The fair value measurement of unlisted equity investments was categorized as Level 3 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the year.

Upon the adoption of IFRS 9 and HKFRS 9: Financial Instruments, the Group’s investment in unlisted club membership classified as available-for-sale financial assets as at 31 December 2017 are reclassified to financial assets at fair value through other comprehensive income (“OCI”) with effect from 1 January 2018. Unlisted club membership stated at fair value represented investment in club membership which their fair values can be determined directly by reference to published price quotation in active market and were categorized as Level 1 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13. There was no transfer among the three levels of the fair value hierarchy during the year.

## 20. INVENTORIES

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 21. TRADE AND OTHER RECEIVABLES

|   | <b>2018</b>     | 2017     |
|---|-----------------|----------|
|   | <b>US\$'000</b> | US\$'000 |
| Trade receivables                           | <b>1,410</b>    | 2,056    |
| Prepayments, deposits and other receivables | <b>13,119</b>   | 14,947   |
|   | <b>14,529</b>   | 17,003   |

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

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

Other receivables include a receivable from an interest-bearing note issued by a third party amounting to US\$3,462,000 (2017: US\$3,462,000). 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.

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:

|   | <b>2018</b>     | 2017     |
|---|-----------------|----------|
|   | <b>US\$'000</b> | US\$'000 |
| Neither past due nor impaired               | <b>109</b>      | 163      |
| Past due but not impaired                   |                 |          |
| Within 3 months past due                    | <b>211</b>      | 828      |
| Over 3 months but within 6 months past due  | <b>146</b>      | 51       |
| Over 6 months but within 12 months past due | <b>109</b>      | 15       |
| Over 12 months past due                     | <b>835</b>      | 999      |
|   | <b>1,301</b>    | 1,893    |
|   | <b>1,410</b>    | 2,056    |



# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 21. TRADE AND OTHER RECEIVABLES (Continued)

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

|                              | 2018<br><i>US\$'000</i> | 2017<br><i>US\$'000</i> |
|------------------------------|-------------------------|-------------------------|
| At 1 January                 | 15,105                  | 15,268                  |
| Impairment loss recognized   | 102                     | –                       |
| Reversal of impairment loss  | (138)                   | (59)                    |
| Written off as uncollectible | (1,264)                 | (104)                   |
|                              | <hr/>                   | <hr/>                   |
| At 31 December               | 13,805                  | 15,105                  |

For trade receivables, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at each reporting date. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables, the Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition.

At the reporting date, the Group had determined trade and other receivables of US\$13,805,000 (2017: US\$15,105,000) as impaired at the reporting date. The impairment loss on trade receivables and other receivables was US\$11,334,000 (2017: US\$12,634,000) and US\$2,471,000 (2017: US\$2,471,000) respectively.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | 2018<br><i>US\$'000</i> | 2017<br><i>US\$'000</i> |
|---|-------------------------|-------------------------|
| <i>Held for trading</i>                             |                         |                         |
| Listed equity securities                            | 34,928                  | 19,336                  |
| Listed debt securities                              | 4,355                   | 4,442                   |
|   | <b>39,283</b>           | 23,778                  |
| <i>Designated as such upon initial recognition:</i> |                         |                         |
| Equity linked notes                                 | 560                     | –                       |
|   | <b>39,843</b>           | 23,778                  |

At the reporting date, the fair value measurements of listed equity securities and listed debt securities were determined by reference to their quoted bid prices in active markets and were categorized as Level 1 and the fair value measurements of equity linked notes represented the quoted market prices on the underlying investments provided by financial institution and were categorized as Level 2 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13. There was no transfer among the three levels of the fair value hierarchy during the year.

## 23. BANK BALANCES AND CASH

|   | 2018<br><i>US\$'000</i> | 2017<br><i>US\$'000</i> |
|---|-------------------------|-------------------------|
| Cash and cash equivalents as stated in the consolidated statement of cash flows | 49,268                  | 64,742                  |
| Bank deposits with more than three months to maturity when placed               | –                       | 13,400                  |
|   | <b>49,268</b>           | 78,142                  |

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 24. AMOUNT DUE TO HOLDING COMPANY

Amount due to holding company is unsecured, interest-free and repayable on demand. The carrying amount of the amount due is considered to be a reasonable approximation of its fair value.

## 25. SHARE CAPITAL

|                                       | 2018   |                    | 2017   |                    |
|---------------------------------------|--|--------------------|--|--------------------|
|                                       | Number of<br>ordinary shares<br>of US\$0.05 each | Amount<br>US\$'000 | Number of<br>ordinary shares<br>of US\$0.05 each | Amount<br>US\$'000 |
| <b>Authorized:</b>                    |  |                    |  |                    |
| At 1 January and 31 December          | 800,000,000                                      | 40,000             | 800,000,000                                      | 40,000             |
| <b>Issued and fully paid:</b>         |  |                    |  |                    |
| At 1 January                          | 109,258,943                                      | 5,463              | 84,045,341                                       | 4,202              |
| Issue of new shares upon rights issue | –  | –                  | 25,213,602                                       | 1,261              |
| 31 December                           | 109,258,943                                      | 5,463              | 109,258,943                                      | 5,463              |

The Company announced on 3 July 2017 to carry out a rights issue raising up to NOK201,708,816 in gross proceeds through the issuance of up to 25,213,602 new shares at a subscription price of NOK8.00 per share where the shareholders in the Company as per the end of 4 July 2017 and registered with the Verdipapirsentralen, the Norwegian Central Securities Depository on 6 July 2017 shall have preferential rights to subscribe for the new shares. The rights issue had been completed on 2 August 2017 and the Company's new total issued share capital is US\$5,462,947.15 divided into 109,258,943 shares, each with a nominal value of US\$0.05.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 25. SHARE CAPITAL (Continued)

At the reporting date, the Company had 2,321 (2017: 2,448) shareholders. Pursuant to the record registered on the Norwegian Registry of Securities, the major shareholders holding more than 1% of the outstanding shares at the reporting date were as follows:

| Shareholder's name                    | Percentage of total issued capital |
|---------------------------------------|------------------------------------|
| Jinhui Holdings Company Limited*      | 40.81%                             |
| BNP Paribas Securities Services BPSS* | 22.15%                             |
| Nordnet Bank AB                       | 10.10%                             |
| DnB NOR Markets                       | 1.97%                              |
| BNP Paribas Securities Services ITA   | 1.87%                              |
| Danske Bank A/S                       | 1.25%                              |
|                                       | 78.15%                             |

\* *BNP Paribas Securities Services BPSS held 16,252,990 shares of the Company in custodian for Jinhui Holdings Company Limited as at 31 December 2018 and hence Jinhui Holdings Company Limited had approximately 55.69% beneficial interests in the Company.*

## 26. RESERVES

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

### Share premium

The application of the share premium account is governed by Section 40(2) of the Companies Act 1981 of Bermuda.

### Capital redemption reserve

Capital redemption reserve represents the par value of the repurchased and cancelled shares.

### Contributed surplus

Contributed surplus will be dealt with in accordance with Section 54 of the Companies Act 1981 of Bermuda.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 26. RESERVES (Continued)

### 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. Upon the adoption of IFRS9 and HKFRS 9, the Group's cumulative fair value changes in the reserve for available-for-sale financial assets of US\$38,000 as at 31 December 2017 are transferred to reserve for financial assets at fair value through OCI with effect from 1 January 2018.

### Reserve for financial assets at fair value through OCI

Reserve for financial assets at fair value through OCI represents the changes in fair value of financial assets at fair value through OCI. As at 31 December 2018, the reserve for financial assets at fair value through OCI consists of recycling and non-recycling portion amounting to income of US\$52,000 (2017: nil) and loss of US\$295,000 (2017: nil) respectively.

## 27. SECURED BANK LOANS

The maturity of secured bank loans is as follows:

|  | 2018<br>US\$'000 | 2017<br>US\$'000 |
|--|------------------|------------------|
| Within one year                        | 24,506           | 60,925           |
| In the second year                     | 8,434            | 35,139           |
| In the third to fifth year             | 40,691           | 41,761           |
| Wholly repayable within five years     | 73,631           | 137,825          |
| After the fifth year                   | 16,552           | –                |
| Total secured bank loans               | 90,183           | 137,825          |
| Less: Amount repayable within one year | (24,506)         | (60,925)         |
| Amount repayable after one year        | 65,677           | 76,900           |

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 27. SECURED BANK LOANS (Continued)

During the year, the Group had drawn new secured bank loans of US\$41,384,000 which included refinancing of certain vessels, revolving loans for working capital purpose and property mortgage loans for its investment properties. The Group repaid US\$89,026,000 that included repayment of all deferred installments for those loans restructured during the forbearance period of US\$31,407,000 to respective lenders, repayment of vessel mortgage loans and repayment of revolving loans. The Group's total secured bank loans dropped from US\$137,825,000 as of 31 December 2017 to US\$90,183,000 on 31 December 2018.

At the reporting date, secured bank loans represented vessel mortgage loans that were denominated in United States Dollars, revolving loans and property mortgage loans that were denominated in Hong Kong Dollars. The secured bank loans were committed on floating rate basis ranging from 3.50% to 4.29% (2017: 2.70% to 4.50%) 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.

## 28. TRADE AND OTHER PAYABLES

|                                    | 2018<br><i>US\$'000</i> | 2017<br><i>US\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Trade payables                     | 313                     | 423                     |
| Accrued charges and other payables | 20,098                  | 22,103                  |
|                                    | <hr/>                   |                         |
|                                    | 20,411                  | 22,526                  |
|                                    | <hr/>                   |                         |

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

|  | 2018            | 2017            |
|--|-----------------|-----------------|
|  | <i>US\$'000</i> | <i>US\$'000</i> |
| Profit (Loss) before taxation                              | 8,713           | (4,031)         |
| Adjustments for:   |                 |                 |
| Depreciation and amortization                              | 17,593          | 20,023          |
| Interest income  | (1,230)         | (1,748)         |
| Interest expenses  | 3,161           | 5,177           |
| Dividend income  | (747)           | (451)           |
| Net gain on disposal of owned vessels                      | (5,437)         | –               |
| Net gain on disposal of investment properties              | –               | (3)             |
| Net gain on disposal of assets held for sale               | –               | (309)           |
| Change in fair value of investment properties              | 73              | (1,087)         |
| Impairment loss on assets held for sale                    | –               | 6,301           |
| Reversal of impairment loss on trade and other receivables | (36)            | (59)            |
| Bad debts written off                                      | 37              | –               |
| <i>Changes in working capital:</i>                         |                 |                 |
| Inventories  | (292)           | 177             |
| Trade and other receivables                                | 2,267           | (432)           |
| Financial assets at fair value through profit or loss      | (16,038)        | 22,433          |
| Trade and other payables                                   | (2,248)         | (691)           |
| Amount due to holding company                              | 6               | 14              |
| <b>Cash generated from operations</b>                      | <b>5,822</b>    | <b>45,314</b>   |

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

|                            | Vessel<br>mortgage loans<br><i>US\$'000</i> | Other secured<br>bank loans<br><i>US\$'000</i> | Total<br>secured<br>bank loans<br><i>US\$'000</i> |
|----------------------------|---|--|---|
| At 1 January 2017          | 212,554                                     | –  | 212,554   |
| <b>Cash flows:</b>         |   |  |   |
| Repayment of loans         | (74,729)                                    | –  | (74,729)  |
| At 31 December 2017        | 137,825                                     | –  | 137,825   |
| At 1 January 2018          | 137,825                                     | –  | 137,825   |
| <b>Cash flows:</b>         |   |  |   |
| Drawdown of loans          | 22,000                                      | 19,384   | 41,384  |
| Repayment of loans         | (87,115)                                    | (1,911)  | (89,026)  |
| <b>At 31 December 2018</b> | <b>72,710</b>                               | <b>17,473</b>                                  | <b>90,183</b>                                     |

## 31. DEFERRED TAXATION

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

|                                  | 2018<br><i>US\$'000</i> | 2017<br><i>US\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Deductible temporary differences | –                       | 70                      |
| Tax losses                       | 262,813                 | 249,145                 |
|                                  | <b>262,813</b>          | 249,215                 |

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.



# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 32. FUTURE OPERATING LEASE ARRANGEMENTS

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

|                  | 2018<br><i>US\$'000</i> | 2017<br><i>US\$'000</i> |
|------------------|-------------------------|-------------------------|
| Within one year: |                         |                         |
| Premises         | 54                      | 211                     |
| Owned vessels    | 13,587                  | 1,827                   |
|                  | <b>13,641</b>           | <b>2,038</b>            |

## 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 17) with an aggregate net book value of US\$216,940,000 (2017: US\$252,450,000) and investment properties (note 18) with an aggregate carrying amount of US\$24,333,000 (2017: US\$14,328,000);
- (b) Deposits totaling US\$3,426,000 (2017: US\$6,521,000) of the Group placed with banks; and
- (c) Assignment of eighteen (2017: twenty three) ship owning subsidiaries' chartering income in favour of banks.

In addition, shares of ten (2017: eighteen) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 34. CAPITAL EXPENDITURE COMMITMENTS

On 20 April 2018, a wholly owned subsidiary of the Company (the "Co-Investor") entered into the co-investment documents to co-invest in a property project in Tower 3 of Shanghai Financial Street Center, Jing'an Central Business District, Shanghai, the PRC, pursuant to which the Co-Investor committed to acquire non-voting participating class A shares of the holding company of the co-investment vehicle of US\$10,000,000. During the year, the Co-Investor paid US\$4,827,000 in accordance with the terms and conditions of the co-investment documents and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$5,173,000.

On 2 November 2018, the Group entered into a provisional agreement for sale and purchase with the vendor in respect of the acquisition of an investment property at a consideration of HK\$30,993,000 (approximately US\$3,973,000). The investment property is Grade A office asset located in one of the most sought after central business district of Hong Kong and is expected to generate steady and recurring stream of income for the Group. The completion date of the acquisition of the investment property was 31 January 2019. During the year, the Group paid HK\$4,649,000 (approximately US\$596,000) in respect of the acquisition of the investment property, and as at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was HK\$26,344,000 (approximately US\$3,377,000).

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for net of deposits paid, was approximately US\$8,550,000 (2017: nil).

## 35. RELATED PARTY TRANSACTIONS

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

- (a) Receipt of an administrative fee of US\$246,000 (2017: US\$240,000) from Jinhui Holdings;
- (b) Payment of rental charges of US\$17,000 (2017: US\$17,000) to a fellow subsidiary; and
- (c) Compensation of key management personnel as follows:

|  | 2018<br>US\$'000 | 2017<br>US\$'000 |
|--|------------------|------------------|
| Salaries and other benefits                  | 7,246            | 4,665            |
| Contributions to retirement benefits schemes | 360              | 198              |
|  | <b>7,606</b>     | <b>4,863</b>     |

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 36. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, the Group entered into an agreement on 2 January 2019 to dispose a Supramax of deadweight 50,209 metric tons at a consideration of US\$7,381,000, which was delivered to the purchaser on 12 March 2019. For financial reporting purposes, the vessel with the net book value of US\$6,763,000 was reclassified to “Assets held for sale” in accordance with IFRS 5 and HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” at the reporting date. The Directors believe that the disposal of the vessel aged above 15 years would enable the Group to enhance its working capital position and to strengthen its liquidity, and optimize the fleet profile through this ongoing management of asset portfolio and reduce our exposure in operational risk in the unpredictable and volatile market environment.

## 37. 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.

### (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:

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 37. FINANCIAL RISK MANAGEMENT AND POLICIES (Continued)

### (a) Categories of financial instruments (Continued)

|  | 2018<br>US\$'000 | 2017<br>US\$'000 |
|--|------------------|------------------|
| <b>Financial assets</b>                                      |                  |                  |
| <i>Financial assets at fair value through OCI</i>            |                  |                  |
| Unlisted equity investments, at fair value                   | 4,551            | –                |
| Unlisted club membership, at fair value                      | 390              | –                |
|  | <b>4,941</b>     | –                |
| <i>Available-for-sale financial assets</i>                   |                  |                  |
| Unlisted club membership, at fair value                      | –                | 206              |
| Unlisted club membership, at cost                            | –                | 170              |
|  | –                | 376              |
| <i>Financial assets at fair value through profit or loss</i> |                  |                  |
| Listed equity securities                                     | 34,928           | 19,336           |
| Listed debt securities                                       | 4,355            | 4,442            |
| Equity linked notes  | 560              | –                |
|  | <b>39,843</b>    | 23,778           |
| <i>Financial assets at amortized cost</i>                    |                  |                  |
| Trade and other receivables                                  | 12,301           | 14,723           |
| Pledged deposits   | 3,426            | 6,521            |
| Bank balances and cash                                       | 49,268           | 78,142           |
|  | <b>64,995</b>    | 99,386           |
|  | <b>109,779</b>   | 123,540          |
| <b>Financial liabilities</b>                                 |                  |                  |
| <i>Trade and other payables</i>                              | 19,520           | 21,343           |
| <i>Borrowings</i>  |                  |                  |
| Amount due to holding company                                | 90               | 84               |
| Secured bank loans   | 90,183           | 137,825          |
|  | <b>90,273</b>    | 137,909          |
|  | <b>109,793</b>   | 159,252          |

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 37. 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 27.

#### Sensitivity analysis\*

Based on the exposures to bank borrowings of US\$90,183,000 (2017: US\$137,825,000) at the reporting date, it was estimated that an increase of 50 (2017: 75) basis points in interest rate, with all other variables remaining constant, the Group's net profit would decrease by approximately US\$451,000 (2017: net loss would increase by approximately US\$1,034,000).

The sensitivity analysis above has been determined as if the change in interest rate had occurred at the reporting date. The basis of 50 (2017: 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 United States Dollars, the functional currency of the Company. Certain of the Company's subsidiaries report in Hong Kong Dollars which is linked to United States 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 holding certain bank deposits and investment in equity securities mainly denominated in Singapore Dollars amounting to SGD127,000 and SGD19,526,000, approximately US\$93,000 and US\$14,347,000 respectively (2017: investment in equity securities mainly denominated in Singapore Dollars amounting to SGD10,159,000, approximately US\$7,608,000) and through holding certain bank deposits and investment in debt securities mainly denominated in Renminbi amounting to RMB5,699,000 and RMB10,166,000, approximately US\$832,000 and US\$1,484,000 (2017: certain bank deposits and investment in debt securities mainly denominated in Renminbi amounting to RMB8,423,000 and RMB10,480,000, approximately US\$1,292,000 and US\$1,608,000) 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.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 37. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

### (c) Foreign currency risk *(Continued)*

#### Sensitivity analysis\*

At the reporting date, based on the total exposures to the bank deposits and equity securities mainly denominated in Singapore Dollars of SGD19,653,000, approximately US\$14,440,000, and the bank deposits and debt securities mainly denominated in Renminbi amounting to RMB15,865,000, approximately US\$2,316,000 (2017: equity securities mainly denominated in Singapore Dollars of SGD10,159,000, approximately US\$7,608,000, and the bank deposits and debt securities mainly denominated in Renminbi amounting to RMB18,903,000, approximately US\$2,900,000), it was estimated that a depreciation of 5% in exchange rate of Singapore Dollars and Renminbi against United States Dollars (2017: 5%) would result in a decrease to the Group's net profit by approximately US\$887,000 (2017: an increase to the Group's net loss by approximately US\$500,000) 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 United States Dollars (2017: Singapore Dollars and Renminbi against United States 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% (2017: 10%), the Group's net profit would decrease by approximately US\$3,493,000 (2017: net loss would increase by approximately US\$1,934,000).

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% (2017: 10%), the Group's net profit would decrease by approximately US\$435,000 (2017: net loss would increase by approximately US\$444,000).

\* 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.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 37. 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 and deposits or other financial assets placed 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.

For trade receivables, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. Loss allowance of approximately 93% (2017: 93%) on Group's outstanding trade receivables over one year past due of US\$11,334,000 (2017: US\$12,634,000) was provided as at 31 December 2018 and the management consider that the credit risks inherent in the Group's outstanding trade receivables within one year past due was immaterial.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

For other receivables, the Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition. For the result of the assessment, an impairment loss of other receivables of US\$2,471,000 (2017: US\$2,471,000) was fully provided as these receivables have deteriorated significantly in credit quality. The remaining outstanding other receivables of US\$10,891,000 (2017: US\$12,667,000) are considered as not deteriorated significantly in credit quality or with low credit risk. Management believes that there was no significant increase in credit risk inherent in the Group's outstanding balance of other receivables.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 37. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

### (e) **Credit risk *(Continued)***

#### **Exposures to credit risk and the Group's risk management policies *(Continued)***

For the financial assets at fair value through OCI, the management believes that the credit risk inherent in the Group is low.

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.

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

### (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.



# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 37. FINANCIAL RISK MANAGEMENT AND POLICIES (Continued)

### (f) Liquidity risk (Continued)

#### Exposures to liquidity risk and the Group's risk management policies (Continued)

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<br>one year<br><i>US\$'000</i> | In the<br>second year<br><i>US\$'000</i> | In the third<br>to fifth year<br><i>US\$'000</i> | After the<br>fifth year<br><i>US\$'000</i> | Total<br>undiscounted<br>amount<br><i>US\$'000</i> | Carrying<br>amount<br><i>US\$'000</i> |
|-------------------------------|---------------------------------------|--|--|--|--|---------------------------------------|
| <b>2018</b>                   |                                       |  |  |  |  |                                       |
| Trade and other payables      | 19,520                                | -  | -  | -  | 19,520   | 19,520                                |
| Amount due to holding company | 90                                    | -  | -  | -  | 90   | 90                                    |
| Secured bank loans            | 28,056                                | 10,995                                   | 46,051   | 17,080                                     | 102,182  | 90,183                                |
|                               | <b>47,666</b>                         | <b>10,995</b>                            | <b>46,051</b>                                    | <b>17,080</b>                              | <b>121,792</b>                                     | <b>109,793</b>                        |
| <b>2017</b>                   |                                       |  |  |  |  |                                       |
| Trade and other payables      | 21,343                                | -  | -  | -  | 21,343   | 21,343                                |
| Amount due to holding company | 84                                    | -  | -  | -  | 84   | 84                                    |
| Secured bank loans            | 64,060                                | 37,169                                   | 42,980   | -  | 144,209  | 137,825                               |
|                               | <b>85,487</b>                         | <b>37,169</b>                            | <b>42,980</b>                                    | <b>-</b>                                   | <b>165,636</b>                                     | <b>159,252</b>                        |

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 38. 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:

|  | 2018<br><i>US\$'000</i> | 2017<br><i>US\$'000</i> |
|--|-------------------------|-------------------------|
| Secured bank loans repayable within one year | 24,506                  | 60,925                  |
| Secured bank loans repayable after one year  | 65,677                  | 76,900                  |
| <b>Total secured bank loans</b>              | <b>90,183</b>           | 137,825                 |
| Less: Equity and debt securities             | (39,283)                | (23,778)                |
| Less: Bank balances and cash                 | (49,268)                | (78,142)                |
| <b>Net debts</b>                             | <b>1,632</b>            | 35,905                  |
| <b>Total equity</b>                          | <b>250,953</b>          | 245,034                 |
| <b>Gearing ratio</b>                         | <b>0.65%</b>            | 15%                     |

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 39. PRINCIPAL SUBSIDIARIES

| Name  | Issued and paid-up capital / registered capital      | Attributable equity interest at 31/12/2018 | Attributable equity interest at 31/12/2017 | Principal activities                                    | Place of operation |
|---|--|--|--|---|--------------------|
| <b>Incorporated in Bermuda</b>                    |  |  |  |   |                    |
| # Jinhui MetCoke Limited                          | 12,000 ordinary shares of US\$1 each                 | 100%                                       | 100%                                       | Investment holding                                      | Worldwide          |
| <b>Incorporated in the British Virgin Islands</b> |  |  |  |   |                    |
| Advance Rich Limited                              | 1 share of US\$1 each                                | 100%                                       | 100%                                       | Investment  | Worldwide          |
| # Jin Hui Shipping Inc.                           | 50,000 shares of US\$1 each                          | 100%                                       | 100%                                       | Investment holding                                      | Worldwide          |
| # Jinhui Investments Limited                      | 1 share of US\$1 each                                | 100%                                       | 100%                                       | Investment holding                                      | Worldwide          |
| <b>Incorporated in Hong Kong</b>                  |  |  |  |   |                    |
| Fair Fait 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 | 100%                                       | 100%                                       | Ship management services, shipping agent and investment | Hong Kong          |
| Leadford Industries Limited                       | HK\$2 divided into 2 ordinary shares                 | 100%                                       | 100%                                       | Property investment                                     | Hong Kong          |

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 39. PRINCIPAL SUBSIDIARIES (Continued)

| Name   | Issued and paid-up capital / registered capital | Attributable equity interest at 31/12/2018 | Attributable equity interest at 31/12/2017 | Principal activities | Place of operation |
|--|---|--|--|----------------------|--------------------|
| <b>Incorporated in Hong Kong (Continued)</b>   |   |  |  |                      |                    |
| Monocosmic Limited                             | HK\$10,000 divided into 10,000 ordinary shares  | 100%                                       | 100%                                       | Property investment  | Hong Kong          |
| Noble Talent Development Limited               | HK\$1 divided into 1 ordinary share             | 100%                                       | –  | Property investment  | Hong Kong          |
| Ringo Star Company Limited                     | HK\$2 divided into 2 ordinary shares            | 100%                                       | 100%                                       | Property investment  | Hong Kong          |
| Union Gold Limited                             | HK\$1 divided into 1 ordinary share             | 100%                                       | 100%                                       | Property investment  | Hong Kong          |
| <b>Incorporated in the Republic of Liberia</b> |   |  |  |                      |                    |
| Galsworthy Limited                             | 1 registered share of US\$1 each                | 100%                                       | 100%                                       | Ship chartering      | Worldwide          |
| Goldbeam Shipping Inc.                         | 100 registered shares of US\$1 each             | 100%                                       | 100%                                       | Ship chartering      | Worldwide          |
| Paxton Enterprises Limited                     | 500 registered shares of US\$1 each             | 100%                                       | 100%                                       | Ship chartering      | Worldwide          |
| Sompol Trading Limited                         | 10 registered shares of US\$1 each              | 100%                                       | 100%                                       | Ship chartering      | Worldwide          |
| Wonder Enterprises Ltd.                        | 500 registered shares of US\$1 each             | 100%                                       | 100%                                       | Ship chartering      | Worldwide          |

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 39. PRINCIPAL SUBSIDIARIES (Continued)

| Name  | Issued and paid-up capital / registered capital | Attributable equity interest at 31/12/2018 | Attributable equity interest at 31/12/2017 | Principal activities | Place of operation |
|---|---|--|--|----------------------|--------------------|
| <b>Incorporated in the Republic of Panama</b> |   |  |  |                      |                    |
| Jinao Marine Inc.                             | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jingang Marine Inc.                           | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinhong Marine Inc.                           | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinji Marine Inc.                             | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinjun Marine Inc.                            | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinlang Marine Inc.                           | 2 registered shares of US\$1 each               | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinmei Marine Inc.                            | 2 registered shares of US\$1 each               | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinping Marine Inc.                           | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinsheng Marine Inc.                          | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinsui Marine Inc.                            | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |

# Notes to the Consolidated Financial Statements

Year ended 31 December 2018

## 39. PRINCIPAL SUBSIDIARIES (Continued)

| Name  | Issued and paid-up capital / registered capital | Attributable equity interest at 31/12/2018 | Attributable equity interest at 31/12/2017 | Principal activities | Place of operation |
|---|---|--|--|----------------------|--------------------|
| <b>Incorporated in the Republic of Panama (Continued)</b> |   |  |  |                      |                    |
| Jintong Marine Inc.                                       | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinwan Marine Inc.  | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinxiang Marine Inc.                                      | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinxing Marine Inc.                                       | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinyao Marine Inc.  | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinyi Shipping Inc.                                       | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinyuan Marine Inc.                                       | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinyue Marine Inc.  | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | Ship owning          | Worldwide          |
| Jinzhou Marine Inc.                                       | 2 common shares of US\$1 each                   | 100%                                       | 100%                                       | 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 2018 annual report.

| <b>Abbreviations / Main terms</b> | <b>Meanings in the annual report</b>  |
|-----------------------------------|---|
| Board                             | Board of Directors;   |
| Chairman                          | Chairman of the Board;  |
| China / PRC                       | The People's Republic of China;   |
| Company / Jinhui Shipping         | Jinhui Shipping and Transportation Limited, a limited liability company incorporated in Bermuda and an approximately 55.69% owned subsidiary of Jinhui Holdings as at 31 December 2018, whose shares are listed on the Oslo Stock Exchange (stock code: JIN); |
| Company Code                      | A set of code adopted by the Company, which sets out the corporate standards and practices used by the Group;   |
| Continuing Obligations            | The rules on the Continuing Obligations of Stock Exchange Listed Companies issued by Oslo Bors ASA;   |
| Director(s)                       | Director(s) of the Company;   |
| DWT                               | Deadweight tonnage;   |
| ECL                               | Expected credit loss;   |
| 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;  |

| 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;  |
| IAS                        | International Accounting Standards;  |
| IASB                       | The International Accounting Standards Board;  |
| IFRS                       | International Financial Reporting Standards;   |
| IMO                        | The International Maritime Organization;   |
| ISM Code                   | The International Safety Management Code;  |
| ISPS Code                  | The International Ship and Port Facility Security Code;  |
| 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); |
| Jinhui Holdings Group      | Jinhui Holdings and its subsidiaries;  |
| MARPOL                     | The International Convention for the Prevention of Pollution from Ships;   |
| Nordea Bank                | Nordea Bank Abp, Filial Norge;   |
| Norwegian Code of Practice | The Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board;                                      |
| Post-Panamax               | Vessel of deadweight approximately between 90,000 metric tons to 100,000 metric tons;  |
| Shareholder(s)             | Shareholder(s) of the Company;   |
| STCW Convention            | The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers;   |



# Glossary

| <b>Abbreviations / Main terms</b> | <b>Meanings in the annual report</b>   |
|-----------------------------------|--|
| Supramax(es)                      | Dry cargo vessel(s) of deadweight approximately 50,000 metric tons;  |
| VAT                               | Value added tax;   |
| VPS                               | Norwegian Verdipapirsentralen, the Norwegian Registry of Securities / Norwegian Central Securities Depository; |
| 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.                                    |

