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**JINHUI HOLDINGS COMPANY LIMITED**

**金輝集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

Stock Code : 137

**2014 RESULTS ANNOUNCEMENT**

# HIGHLIGHTS

## FOR THE YEAR 2014

- Revenue for the year: HK\$1,310 million
- Net loss attributable to shareholders for the year: HK\$380 million
- Operating loss for the year of HK\$644 million included non-cash impairment loss on owned vessels of HK\$395 million
- Basic loss per share: HK\$0.716
- Gearing ratio as at 31 December 2014: 24%
- EBITDA\*: HK\$202 million

\*EBITDA is calculated as operating profit (loss) before depreciation and amortization, and excluding non-cash impairment loss on owned vessels

## CHAIRMAN'S STATEMENT

The Board is pleased to present the results of **Jinhui Holdings Company Limited** (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2014.

### 2014 ANNUAL RESULTS

The Group's revenue for the year was HK\$1,309,920,000 whereas HK\$1,952,200,000 was reported for the year 2013. The net loss attributable to shareholders of the Company for the year was HK\$379,923,000 as compared to a net profit of HK\$120,758,000 for the year 2013. The considerable consolidated net loss for the year 2014 was primarily attributable to the recognition of impairment loss of HK\$394,570,000 on certain owned vessels and reduced revenue from chartering freight and hire due to low freight rates in weak shipping market.

Basic loss per share was HK\$0.716 for the year as compared to basic earnings per share of HK\$0.228 for the year 2013.

### DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2014. As there is no interim dividend payable during the year, there will be no dividend distribution for the whole year of 2014.

### BUSINESS REVIEW

**Chartering freight and hire.** The Group operates its worldwide shipping activities through Jinhui Shipping and Transportation Limited, an approximately 54.77% owned subsidiary of the Company, whose shares are listed on the Oslo Stock Exchange, Norway.

Year 2014 was a challenging year for dry bulk shipping market as the pace of newbuildings delivery outweighed the demand for seaborne transportation due to the unexpected weakening of global minor bulk trading activities. In early 2014, just as the expected recovery in shipping market seemed to be on course with increasing scrapping activities providing relief to the oversupply of tonnages from orders a few years back, the market turned rapidly due to the abrupt slowdown of economic growth of China (the largest importer of dry bulk commodities); a new round of irrational numbers of newbuilding orders encouraged by credit availability and participation of speculative funds; and geopolitical turbulences in different regions also added uncertainty to the already poor market sentiment. The recent crackdown of commodity-backed lending in China further exacerbated negative sentiment given the slowdown of importing activities of China would bring weighty impact on fragile dry bulk shipping market.

## CHAIRMAN'S STATEMENT

Revenue from chartering freight and hire for the year dropped 39% from HK\$1,696,516,000 in 2013 to HK\$1,031,541,000 in 2014. Segment loss from chartering freight and hire of HK\$662,236,000 for the year 2014 was primarily attributable to the recognition of a non-cash impairment loss of HK\$394,570,000 on certain owned vessels and reduced hire and freight revenue due to low freight rates in weak shipping market.

Amidst oversupply of tonnage capacity, plummeting freight rates and falling market value of dry bulk vessels, the management cautiously reviewed the fundamentals in dry bulk shipping industry outlook and considered that impairment indication of the Group's fleet existed at end of 2014. The imbalance of supply might continue for some time and oversupply of vessels against a weakening demand in global seaborne trade remains to haunt the dry bulk shipping industry. With due considerations of factors affecting the long term intrinsic values of owned vessels in the impairment review, certain owned vessels' recoverable amounts which were determined based on value in use, were less than their respective carrying amounts. Accordingly, an impairment loss of HK\$394,570,000 on certain owned vessels was recognized at end of 2014. The impairment loss is non-cash in nature and does not have impact on the operating cash flows of the Group.

The Group's segment revenue and operating results from chartering freight and hire for the year 2014 were also impacted by reduced number of owned fleet and chartered-in fleet in operation as the only chartered-in Capesize was redelivered to its owner in late January 2014 whereas two chartered-in vessels were in operation in the year 2013. Operating days in current year were less than those in the year 2013 due to increased vessels ballast days and prolonging positioning period for increased voyage charters. The average daily time charter equivalent rates ("TCE") earned by the Group's fleet dropped to US\$9,234 for the year 2014 as compared to US\$13,653 for the year 2013 when certain charter contracts were recently entered into with charterers at relatively low freight rates.

The average daily TCE of the Group's fleet were as follows:

	2014	2013
	US\$	US\$
Capesize fleet	13,477	13,202
Post-Panamax / Panamax fleet	9,139	15,817
Supramax / Handymax / Handysize fleet	9,235	13,424
In average	9,234	13,653

Shipping related expenses decreased by 16% to HK\$835,371,000 for the year 2014 as compared to HK\$991,295,000 for the year 2013. The decrease was mainly due to the reduction in hire payments of approximately HK\$201.2 million for chartered-in vessels for the year 2014 as compared to the year 2013 as the only chartered-in vessel was redelivered to its owner in late January 2014 that caused savings in hire payments.

## CHAIRMAN'S STATEMENT

Other operating income for chartering freight and hire for the year 2014 included settlement income of HK\$46,986,000 from certain charterers in relation to repudiation claims under arbitration awards and early redelivery of an owned vessel prior to expiry of charter contract. The Group will continue to seek all legal means to recover the amounts granted in the arbitration awards.

Finance costs for chartering freight and hire for the year decreased by 22% to HK\$42,311,000, as comparing to HK\$54,034,000 for the year 2013. The decrease was mainly attributable to the decrease in average outstanding loan principal under aggressive loan repayment schedules and full repayment of vessel mortgage loans for two disposed owned vessels in early 2014.

The Group entered into agreements in February 2014 to dispose two vessels at a total consideration of HK\$436,800,000 to a purchaser, an independent third party. As at 31 December 2013, these two vessels were classified as "Assets held for sale" with recoverable amount of HK\$432,432,000 and impairment loss of HK\$100,182,000 had been recognized in year 2013. Both vessels were delivered to the purchaser in March 2014 as scheduled and a gain on disposal of assets held for sale of HK\$4,368,000 was recorded in other operating income for chartering freight and hire during the year.

**Trading.** The Group operates its trading of chemical and industrial raw materials through Yee Lee Technology Company Limited, a 75% owned subsidiary of the Company.

The Group's segment revenue from trading business increased slightly to HK\$278,379,000 for the year 2014 as comparing to HK\$255,684,000 for the year 2013. However, the Group reported segment loss of HK\$3,992,000 from trading business for the year 2014, whereas segment profit of HK\$1,736,000 was reported in last year. The Group strived to boost sales volume by reaching new customers through new sales channels. However, due to the falling of commodity prices and stagnant cost of materials, the overall gross profit margin reduced and segment loss was reported from trading business for the year.

**Other financial information.** The unallocated corporate expenses increased to HK\$85,569,000 for the year 2014, as comparing to HK\$32,351,000 for the year 2013, due to fair value loss of HK\$47,146,000 on investment portfolio of equity and debt securities was recognized in the year 2014. In 2013, the Group recognized net gain on financial assets at fair value through profit or loss of HK\$38,346,000 and the amount was included in unallocated other operating income for the year 2013.

## CHAIRMAN'S STATEMENT

### FINANCIAL REVIEW

**Liquidity, financial resources and capital structure.** As at 31 December 2014, the total of the Group's equity and debt securities, bank balances and cash decreased to HK\$1,610,201,000 (2013: HK\$1,675,253,000). The Group's bank borrowings decreased to HK\$3,171,827,000 (2013: HK\$3,863,014,000), of which 17%, 21%, 42% and 20% are repayable respectively within one year, one to two years, two to five years and over five years. All bank borrowings were denominated in United States Dollars and were committed on floating rate basis.

The gearing ratio, as calculated on the basis of net debts (total interest-bearing debts net of equity and debt securities, bank balances and cash) over total equity, dropped to 24% (2013: 31%) as at 31 December 2014. 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.

**Pledge of assets.** As at 31 December 2014, the Group's property, plant and equipment and investment properties with an aggregate net book value of HK\$7,479,018,000 (2013: HK\$8,248,836,000), and deposits of HK\$176,411,000 (2013: HK\$183,900,000) placed with banks were pledged together with the assignment of thirty six (2013: thirty eight) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of thirty (2013: thirty two) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

**Capital expenditures and commitments.** During the year, capital expenditure on additions of owned vessels and vessels under construction was HK\$86,908,000 (2013: HK\$43,660,000), on other property, plant and equipment was HK\$7,807,000 (2013: HK\$1,075,000) and on investment properties was HK\$39,404,000 (2013: nil).

As at 31 December 2014, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK\$204,282,000 (2013: nil), representing the Group's outstanding capital expenditure commitments to acquire one (2013: nil) newbuilding at contract price of US\$29,100,000 (approximately HK\$226,980,000) (2013: nil).

### OUTLOOK

2014 was a challenging year especially in the latter half of the year, catching most if not all owners and operators by surprise. We expect 2015 will be even tougher.

A number of factors will continue to hinder the long-expected dry bulk market recovery: (1) slower demand growth in key dry bulk commodities importing activities from China; (2) a much lower oil price which discourages slow steaming and effectively releasing further supply to the market; (3) excess newbuilding orders driven by irrational expectations of financial return by parties with limited operating experience, backed by access to cheap funding in the capital market, and fee driven intermediary institutions.

## CHAIRMAN'S STATEMENT

We remain positive with the longer term market given the long term import requirement from China and Asian countries are growing. Recent actions in adjusting the monetary policy in China may be an encouraging signal to the market that China intends to further loosen its lending restrictions to support its slowing economic growth which may in turn benefits the dry bulk shipping market. This growth will further strengthen, if the recovery of U.S. and European economies proved to be sustainable. Of course, this would only be possible if supply is in check where minimal or no more irrational ordering of newbuilding would take place. On a positive note, this newbuilding order frenzy has significantly slowed down given this extremely challenging operating environment, the low oil price has proved that the "eco ship" investment story is not so attractive after all for dry bulk vessels, lenders have become highly cautious at this juncture, as well as the U.S. Federal Reserve communicating clearly to the market, an eventual end of the quantitative easing program should be expected soon.

Given the recent and expected uncertainties and volatilities in markets associated with our business, we will continue to refrain from using freight, bunker or interest rate derivatives.

With slowing supply growth, healthy demand growth expectation and increasing scrapping activities, we are cautiously optimistic on the rebalancing of seaborne tonnages in the next couple of years and expect a stronger market going forward and shall aspire to grow our business over the longer term, and will patiently and selectively look at suitable opportunities as they arise.

Looking ahead, we will continue to focus on the basics: maintain a strong financial position, monitor cargo flows in order to deploy our vessels efficiently to optimize revenue, lock in longer term charters to enhance the stability of income at the right time, ensuring the maintenance of a high quality, safe fleet of vessels, and keeping costs in check to enhance our margins. We will continue to operate with a conservative yet nimble mindset, and be ready to act in the best interest of our shareholders under different kinds of scenarios.

By Order of the Board

**Ng Siu Fai**

*Chairman*

Hong Kong, 16 March 2015

## **CORPORATE GOVERNANCE**

### **COMPLIANCE OF THE CODE PROVISIONS**

The Company has complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2014, with deviations as explained in following sections.

#### **CG Code provision A.2.1**

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas are brothers who act as the Chairman and the Managing Director of the Company respectively. Mr. Ng Siu Fai, in addition to his duties as the Chairman, is also responsible for the strategic planning and overseeing all aspects of the Group’s operations. This constitutes deviation from code provision A.2.1 of the CG Code as part of his duties overlap with those of the Managing Director, who is in practice the chief executive.

As one of the founders of the Group, Mr. Ng Siu Fai has extensive experience and knowledge in the core businesses of the Group and his duty for overseeing all aspects of the Group’s operations is clearly beneficial to the Group. The Board also considers that this will not impair the balance of power and authority between the Board and the management of the Company as one-third of the Board members are represented by the independent non-executive directors and the Board will meet regularly to consider major matters affecting the operations of the Group and all directors of the Company (the “Directors”) are properly briefed on the matters arising at the Board meetings with adequate, complete and reliable information received in a timely manner. The current structure also allows flexibility and enhances the efficiency of decision making process in response to the constantly changing competitive environment.

As the Chairman’s major responsibility is to manage the Board whereas the Managing Director’s major responsibility is to manage the Group’s businesses, the Board considers that the responsibilities of the Chairman and the Managing Director are clear and distinctive and hence written terms thereof are not necessary. Although the respective responsibilities of the Chairman and the Managing Director are not set out in writing, power and authority are not concentrated in any one individual and all major decisions are made in consultation with members of the Board and appropriate board committees, as well as senior management.

Going forward, the Board will periodically review the effectiveness of this arrangement, the board composition as well as division of responsibilities to enhance best interests of the Company and its shareholders as a whole.



## **CORPORATE GOVERNANCE**

### **CG Code provision A.4.2**

Under code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Articles of Association of the Company, all Directors other than the Chairman and the Managing Director shall be subject to retirement by rotation at least once every three years and any new directors appointed to fill casual vacancies or as an addition to the Board shall be subject to election by shareholders at the annual general meeting after their appointments.

As the Chairman and the Managing Director are not subject to retirement by rotation in accordance with the Articles of Association of the Company, this constitutes deviation from code provision A.4.2 of the CG Code. The Board is of the view that the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability, and there should be planned and orderly succession for these offices. Since continuation is a key factor to the successful implementation of the Company's business plans and strategies, any Director holding the office as the Chairman or the Managing Director should therefore be exempted from the retirement by rotation and re-election at the Company's annual general meeting and the Board believes this arrangement is most beneficial to the Company and its shareholders.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out therein throughout the year ended 31 December 2014.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in the preliminary results announcement of the Group for the year ended 31 December 2014 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "Auditor"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the preliminary results announcement.

## **CORPORATE GOVERNANCE**

### **AUDIT COMMITTEE**

The Audit Committee comprises of three independent non-executive directors. The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the Company's interim and annual reports before submission to the Board. The Group's financial statements for the year ended 31 December 2014 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

## **SUPPLEMENTARY INFORMATION**

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

### **ANNUAL GENERAL MEETING AND BOOK CLOSURE**

The Annual General Meeting of the Company will be held on Monday, 18 May 2015. Notice of the Annual General Meeting will be published on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.jinhuiship.com](http://www.jinhuiship.com), and will be despatched to shareholders of the Company in due course.

The register of members of the Company will be closed from Thursday, 14 May 2015 to Monday, 18 May 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 13 May 2015.

### **EMPLOYEES**

As at 31 December 2014, the Group had 109 (2013: 108) full-time employees. The Group remunerates its employees in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident funds. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

## SUPPLEMENTARY INFORMATION

### FLEET

#### Owned Vessels

The Group's strategy is to maintain a young and modern fleet to serve the growing needs of our customers. As at 31 December 2014, the Group had thirty six owned vessels as follows:

	Number of owned vessels
Post-Panamax fleet	2
Panamax fleet	2
Supramax / Handymax fleet	31
Handysize fleet	1
<b>Total fleet</b>	<b>36</b>

#### Ordered Vessel

On 10 April 2014, the Group entered into a construction and sale contract to acquire a Supramax newbuilding at a contract price of US\$29,100,000 (approximately HK\$226,980,000) with expected date of delivery on or before 31 March 2016.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

		2014	2013
	Note	HK\$'000	HK\$'000
<b>Revenue</b>	2	1,309,920	1,952,200
Other operating income	4	168,730	289,815
Interest income		43,806	30,895
Shipping related expenses		(835,371)	(991,295)
Cost of trading goods sold		(263,791)	(237,724)
Staff costs		(99,110)	(103,022)
Impairment loss on owned vessels	5	(394,570)	-
Impairment loss on assets held for sale		-	(100,182)
Other operating expenses		(122,321)	(108,476)
<b>Operating profit (loss) before depreciation and amortization</b>	6	(192,707)	732,211
Depreciation and amortization		(451,022)	(466,755)
<b>Operating profit (loss)</b>		(643,729)	265,456
Finance costs		(42,896)	(54,373)
<b>Profit (Loss) before taxation</b>		(686,625)	211,083
Taxation	7	(627)	(487)
<b>Net profit (loss) for the year</b>		(687,252)	210,596
<b>Other comprehensive loss</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Change in fair value of available-for-sale financial assets		(1,200)	(600)
<b>Total comprehensive income (loss) for the year</b>		(688,452)	209,996
<b>Net profit (loss) for the year attributable to:</b>			
Shareholders of the Company		(379,923)	120,758
Non-controlling interests		(307,329)	89,838
		(687,252)	210,596
<b>Total comprehensive income (loss) for the year attributable to:</b>			
Shareholders of the Company		(381,123)	120,158
Non-controlling interests		(307,329)	89,838
		(688,452)	209,996
<b>Earnings (Loss) per share</b>	8		
- Basic		HK\$(0.716)	HK\$0.228
- Diluted		HK\$(0.715)	HK\$0.226

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		7,595,913	8,346,661
Investment properties	10	141,860	101,180
Goodwill		39,040	39,040
Available-for-sale financial assets	11	22,111	23,311
Intangible assets		1,439	1,604
		<b>7,800,363</b>	<b>8,511,796</b>
<b>Current assets</b>			
Inventories		49,427	60,549
Trade and other receivables	12	233,359	456,105
Financial assets at fair value through profit or loss	13	1,048,218	1,041,477
Pledged deposits		176,411	183,900
Bank balances and cash	14	561,983	633,776
		<b>2,069,398</b>	<b>2,375,807</b>
Assets held for sale	15	-	432,432
		<b>2,069,398</b>	<b>2,808,239</b>
<b>Current liabilities</b>			
Trade and other payables	16	247,590	318,475
Current taxation		460	210
Secured bank loans	17	530,451	723,527
		<b>778,501</b>	<b>1,042,212</b>
<b>Net current assets</b>		<b>1,290,897</b>	<b>1,766,027</b>
<b>Total assets less current liabilities</b>		<b>9,091,260</b>	<b>10,277,823</b>
<b>Non-current liabilities</b>			
Secured bank loans	17	2,641,376	3,139,487
<b>Net assets</b>		<b>6,449,884</b>	<b>7,138,336</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Issued capital	18	381,639	53,029
Reserves		3,247,226	3,956,959
		<b>3,628,865</b>	<b>4,009,988</b>
<b>Non-controlling interests</b>		<b>2,821,019</b>	<b>3,128,348</b>
<b>Total equity</b>		<b>6,449,884</b>	<b>7,138,336</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to shareholders of the Company									
	Issued capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Other asset revaluation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Reserve for available-for-sale financial assets HK\$'000	Retained Profits HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2013	53,029	324,590	4,020	4,777	26,259	13,795	3,463,360	3,889,830	3,038,510	6,928,340
Net profit for the year	-	-	-	-	-	-	120,758	120,758	89,838	210,596
Other comprehensive loss for the year	-	-	-	-	-	(600)	-	(600)	-	(600)
Total comprehensive income for the year	-	-	-	-	-	(600)	120,758	120,158	89,838	209,996
At 31 December 2013	53,029	324,590	4,020	4,777	26,259	13,195	3,584,118	4,009,988	3,128,348	7,138,336
At 1 January 2014	53,029	324,590	4,020	4,777	26,259	13,195	3,584,118	4,009,988	3,128,348	7,138,336
Transfer on 3 March 2014 upon adoption of the new Companies Ordinance (Note 18)	328,610	(324,590)	(4,020)	-	-	-	-	-	-	-
Net loss for the year	-	-	-	-	-	-	(379,923)	(379,923)	(307,329)	(687,252)
Other comprehensive loss for the year	-	-	-	-	-	(1,200)	-	(1,200)	-	(1,200)
Total comprehensive loss for the year	-	-	-	-	-	(1,200)	(379,923)	(381,123)	(307,329)	(688,452)
At 31 December 2014	381,639	-	-	4,777	26,259	11,995	3,204,195	3,628,865	2,821,019	6,449,884



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations		309,235	245,066
Interest paid		(43,769)	(55,289)
Hong Kong Profits Tax refunded		-	293
PRC Corporate Income Tax paid		(372)	(576)
<b>Net cash from operating activities</b>		<b>265,094</b>	<b>189,494</b>
<b>INVESTING ACTIVITIES</b>			
Interest received		42,672	26,589
Decrease (Increase) in bank deposits with more than three months to maturity when placed		(112,379)	117,645
Dividend income received		15,685	9,210
Purchase of property, plant and equipment		(94,715)	(44,735)
Purchase of investment properties		(39,404)	-
Proceeds from disposal of assets held for sale		436,800	-
Proceeds from disposal of property, plant and equipment		-	300
Proceeds from termination of unlisted investments		-	3,699
Purchase of available-for-sale financial assets		-	(1,331)
<b>Net cash from investing activities</b>		<b>248,659</b>	<b>111,377</b>
<b>FINANCING ACTIVITIES</b>			
New secured bank loans		32,320	20,438
Repayment of secured bank loans		(737,734)	(560,978)
Decrease (Increase) in pledged deposits		7,489	(29,652)
<b>Net cash used in financing activities</b>		<b>(697,925)</b>	<b>(570,192)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(184,172)</b>	<b>(269,321)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>633,776</b>	<b>903,097</b>
<b>Cash and cash equivalents at 31 December</b>	14	<b>449,604</b>	<b>633,776</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

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

Certain new or amended HKFRS are effective for the accounting period beginning on 1 January 2014. The Group has applied for the first time, all new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the current accounting year. The management has assessed and considered that the adoption of these new standards or amendments has had no material impact on the Group’s financial statements for the current and prior years that have been presented, except for the additional disclosure requirements for impaired non-financial assets following the effective of the amendments to HKAS 36 “Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets”.

Apart from the above, the accounting policies and basis of preparation adopted in these financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2013.

### 2. Revenue

Revenue represents chartering freight and hire income arising from the Group’s owned and chartered-in vessels, and the aggregate of the invoiced value of goods sold. Revenue recognized during the year is as follows:

	2014 <i>HK\$’000</i>	2013 <i>HK\$’000</i>
Chartering freight and hire income		
Hire income under time charters	762,006	1,389,544
Freight income under voyage charters	269,535	306,972
Sale of goods	278,379	255,684
	<b>1,309,920</b>	<b>1,952,200</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Segment information

The Group is principally engaged in the businesses of ship chartering and ship owning, and trading of chemical and industrial raw materials and the management has regarded these two businesses as the operating segments to be reported to the chief operating decision maker.

The following tables present the Group's reportable segment revenue, segment results, segment assets and segment liabilities, and reconcile the Group's total reportable segment results, segment assets and segment liabilities to the Group's net profit (loss) for the year, total assets and total liabilities as presented in the condensed consolidated financial statements.

	Chartering freight and hire HK\$'000	Trading HK\$'000	Total HK\$'000
<i>Year ended 31 December 2014</i>			
Segment revenue	1,031,541	278,379	1,309,920
Segment results	(662,236)	(3,992)	(666,228)
<i>Unallocated income and expenses</i>			
Interest income			43,806
Unallocated other operating income			21,366
Unallocated corporate expenses			(85,569)
Loss before taxation			(686,625)
Taxation			(627)
Net loss for the year			(687,252)
<i>As at 31 December 2014</i>			
Segment assets	7,572,124	97,306	7,669,430
<i>Unallocated assets</i>			
Pledged deposits			176,411
Bank balances and cash			561,983
Other current assets			1,080,105
Other non-current assets			381,832
Total assets			9,869,761
Segment liabilities	3,359,586	37,673	3,397,259
<i>Unallocated liabilities</i>			
Other current liabilities			22,618
Total liabilities			3,419,877

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Segment information (Continued)

	Chartering freight and hire <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Year ended 31 December 2013</i>			
Segment revenue	1,696,516	255,684	1,952,200
Segment results	146,283	1,736	148,019
<i>Unallocated income and expenses</i>			
Interest income			30,895
Unallocated other operating income			64,520
Unallocated corporate expenses			(32,351)
Profit before taxation			211,083
Taxation			(487)
Net profit for the year			210,596
<i>As at 31 December 2013</i>			
Segment assets	8,581,270	79,232	8,660,502
Assets held for sale	432,432	-	432,432
<i>Unallocated assets</i>			
Pledged deposits			183,900
Bank balances and cash			633,776
Other current assets			1,060,052
Other non-current assets			349,373
Total assets			11,320,035
Segment liabilities	4,090,294	19,328	4,109,622
<i>Unallocated liabilities</i>			
Other current liabilities			72,077
Total liabilities			4,181,699

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Other operating income

Other operating income for the year 2014 mainly included ballast bonus income received from particular charterers for certain charter contracts, gain on disposal of assets held for sale of HK\$4,368,000, and settlement income of HK\$46,986,000 from certain charterers in relation to repudiation claims under arbitration awards and early redelivery of an owned vessel prior to expiry of charter contract.

For the year 2013, other operating income included an income of HK\$68,111,000 relating to the elimination of impairment loss, previously recognized on a vessel under construction, upon termination of a newbuilding contract, and settlement income of HK\$42,247,000 from certain claims, including the partial settlement of claim for damages and losses against Korea Line Corporation ("KLC") by receiving cash and shares of KLC. These shares had been accounted for as financial assets at fair value through profit or loss as at 31 December 2013.

### 5. Impairment loss on owned vessels

Amidst oversupply of tonnage capacity, plummeting freight rates and falling market value of dry bulk vessels, the management cautiously reviewed the fundamentals in dry bulk shipping industry outlook and considered that impairment indication of the Group's fleet existed at end of 2014. The imbalance of supply might continue for some time and oversupply of vessels against a weakening demand in global seaborne trade remains to haunt the dry bulk shipping industry. With due considerations of factors affecting the long term intrinsic values of owned vessels in the impairment review, certain owned vessels' recoverable amounts which were determined based on value in use, were less than their respective carrying amounts. Accordingly, an impairment loss of HK\$394,570,000 on certain owned vessels was recognized at end of 2014. There was no such loss recognized in year 2013.

### 6. Operating profit (loss) before depreciation and amortization

This is stated after charging / (crediting):

	2014 HK\$'000	2013 HK\$'000
Impairment loss (Reversal of impairment loss) on trade receivables	(5,021)	4,047
Dividend income	(16,803)	(9,698)
Net loss (gain) on financial assets at fair value through profit or loss	44,764	(38,346)

### 7. Taxation

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

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

	2014 HK\$'000	2013 HK\$'000
PRC Corporate Income Tax		
Current year	627	487

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Earnings (Loss) per share

Basic earnings (loss) per share was calculated on the net loss attributable to shareholders of the Company for the year 2014 of HK\$379,923,000 (2013: net profit of HK\$120,758,000) and the weighted average number of 530,289,480 (2013: 530,289,480) ordinary shares in issue during the year.

Diluted earnings (loss) per share was calculated on the net loss attributable to shareholders of the Company for the year 2014 of HK\$379,923,000 (2013: net profit of HK\$120,758,000) and the weighted average number of 530,289,480 (2013: 530,289,480) ordinary shares in issue during the year and adjusting for the potential dilutive ordinary shares of 1,442,040 (2013: 3,619,084) arising from the share options granted under the Company's share option scheme.

### 9. Dividend

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2014 (2013: nil).

### 10. Investment properties

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	101,180	93,800
Additions	39,404	-
Change in fair value	1,276	7,380
At 31 December	141,860	101,180

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Available-for-sale financial assets

	2014 HK\$'000	2013 HK\$'000
Unlisted club debentures, at fair value	19,200	20,400
Unlisted club membership, at fair value	1,580	1,580
Unlisted club membership, at cost	1,331	1,331
	<b>22,111</b>	<b>23,311</b>

Unlisted club debentures and unlisted club membership stated at fair value represented investments in club debentures and club membership which their fair values can be determined directly by reference to published price quotations in active markets. At the reporting date, the fair value measurements of these unlisted club debentures and unlisted club membership were categorized as Level 1 of the three-level fair value hierarchy as defined under HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the year.

For the unlisted club membership stated at cost, as there is no quoted market price in active market, the range of reasonable fair value estimates can be varied significantly that its fair value cannot be measured reliably.

### 12. Trade and other receivables

	2014 HK\$'000	2013 HK\$'000
Trade receivables	70,232	60,534
Prepayments, deposits and other receivables	163,127	395,571
	<b>233,359</b>	<b>456,105</b>

The aging analysis of trade receivables (net of impairment loss) is as follows:

	2014 HK\$'000	2013 HK\$'000
Within 3 months	58,442	53,160
Over 3 months but within 6 months	4,972	4,731
Over 6 months but within 12 months	4,151	228
Over 12 months	2,667	2,415
	<b>70,232</b>	<b>60,534</b>

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

The credit terms given to charterers vary from 15 to 60 days according to the types of vessels' employment. The credit terms given to trading customers vary based on the financial assessments and payment track records. General credit terms for trading customers range from 30 to 90 days following the month in which sales take place.

## NOTES TO THE FINANCIAL STATEMENTS

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

	2014 HK\$'000	2013 HK\$'000
<i>Held for trading or not qualifying as hedges</i>		
Equity securities		
Listed in Hong Kong	361,727	315,918
Listed outside Hong Kong	94,229	136,277
	455,956	452,195
Debt securities		
Listed in Hong Kong	470,471	386,564
Listed outside Hong Kong	121,791	202,718
	592,262	589,282
	1,048,218	1,041,477

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

### 14. Bank balances and cash

	2014 HK\$'000	2013 HK\$'000
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	449,604	633,776
Bank deposits with more than three months to maturity when placed	112,379	-
	561,983	633,776



## NOTES TO THE FINANCIAL STATEMENTS

### 15. Assets held for sale

By end of 2013, the Group had the intention to sell two of its owned vessels which were ready for sale and had been actively marketed at prices that are reasonable in relation to their current fair values. As at 31 December 2013, these two vessels were reclassified to "Assets held for sale" under "Current assets" with recoverable amount of HK\$432,432,000, which were measured at the lower of the net book value of HK\$532,614,000 or estimated fair value less costs to sell of HK\$432,432,000. As a result, impairment loss of HK\$100,182,000 for these two vessels was recognized for the year 2013.

The fair value less costs to sell of these two owned vessels were estimated using observed prices for recent sales of similar vessels and were categorized as Level 2 of the three-level fair value hierarchy as defined under HKFRS 13.

In February 2014, the Group entered into agreements to dispose these two vessels at a total consideration of HK\$436,800,000 to a purchaser, an independent third party. Both vessels were delivered to the purchaser in March 2014 as scheduled and a gain on disposal of assets held for sale of HK\$4,368,000 was recorded in other operating income during the year.

### 16. Trade and other payables

	2014 HK\$'000	2013 HK\$'000
Trade payables	22,046	18,331
Accrued charges and other payables	225,544	300,144
	247,590	318,475

The aging analysis of trade payables is as follows:

	2014 HK\$'000	2013 HK\$'000
Within 3 months	5,898	1,350
Over 3 months but within 6 months	357	812
Over 6 months but within 12 months	448	560
Over 12 months	15,343	15,609
	22,046	18,331

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Secured bank loans

	2014 HK\$'000	2013 HK\$'000
Vessel mortgage loans	3,139,487	3,844,901
Trust receipt loans	32,340	18,113
<b>Total secured bank loans</b>	<b>3,171,827</b>	<b>3,863,014</b>
Less: Amount repayable within one year	(530,451)	(723,527)
<b>Amount repayable after one year</b>	<b>2,641,376</b>	<b>3,139,487</b>

At the reporting date, vessel mortgage loans and trust receipt loans were denominated in United States Dollars and were committed on floating rate basis.

### 18. Share capital

As at 31 December 2013, 1,000,000,000 ordinary shares, with par value of HK\$0.10 each, were authorized for issue. On 3 March 2014, the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("New CO") came into effect. The New CO abolishes the concepts of nominal (par) value, share premium and authorized share capital for all shares of Hong Kong incorporated companies. In accordance with Section 135 of the New CO, the Company's shares no longer have a nominal (par) value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transaction.

Prior to 3 March 2014, the application of the share premium account and capital redemption reserve were governed by Section 48B and Section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in Section 37 of Schedule 11 to the New CO, on 3 March 2014 any amount standing to the credit of the company's share premium account and capital redemption reserve becomes part of the company's share capital, as such balances of share premium account of HK\$324,590,000 and capital redemption reserve of HK\$4,020,000 became part of the Company's share capital. The use of share capital as from 3 March 2014 is governed by Section 149 of the New CO.

The Company's share capital is as follows:

	2014		2013	
	Number of ordinary shares	Amount HK\$'000	Number of ordinary shares	Amount HK\$'000
Issued and fully paid:				
At 1 January	530,289,480	53,029	530,289,480	53,029
Transfer on 3 March 2014 upon adoption of the New CO	-	328,610	-	-
<b>At 31 December</b>	<b>530,289,480</b>	<b>381,639</b>	<b>530,289,480</b>	<b>53,029</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 19. Capital expenditures and commitments

During the year, capital expenditure on additions of owned vessels and vessels under construction was HK\$86,908,000 (2013: HK\$43,660,000), on other property, plant and equipment was HK\$7,807,000 (2013: HK\$1,075,000) and on investment properties was HK\$39,404,000 (2013: nil).

As at 31 December 2014, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was approximately HK\$204,282,000 (2013: nil), representing the Group's outstanding capital expenditure commitments to acquire one (2013: nil) newbuilding at contract price of US\$29,100,000 (approximately HK\$226,980,000) (2013: nil).

### 20. Related party transactions

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	61,726	64,826
Contributions to retirement benefits schemes	2,155	1,442
	<b>63,881</b>	<b>66,268</b>

## **PUBLICATION OF FINANCIAL INFORMATION**

The annual report of the Company for the year ended 31 December 2014 containing all the detailed information will be despatched to shareholders of the Company and available on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.jinhuiship.com](http://www.jinhuiship.com) in due course.

*As at date of this announcement, the Executive Directors of the Company are Ng Siu Fai, Ng Kam Wah Thomas, Ng Ki Hung Frankie and Ho Suk Lin; and the Independent Non-executive Directors of the Company are Cui Jianhua, Tsui Che Yin Frank and William Yau.*