



JINHUI HOLDINGS COMPANY LIMITED

Stock Code: 137



2021
Annual Report

Contents

2	CORPORATE INFORMATION
3	CHAIRMAN'S STATEMENT
5	STRATEGIES AND BUSINESS PROFILE
7	HIGHLIGHTS
11	CORPORATE GOVERNANCE REPORT
27	ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
37	MANAGEMENT DISCUSSION AND ANALYSIS
53	BOARD OF DIRECTORS AND SENIOR MANAGEMENT
55	DIRECTORS' REPORT
65	INDEPENDENT AUDITOR'S REPORT
70	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
72	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
74	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
75	CONSOLIDATED STATEMENT OF CASH FLOWS
76	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
146	GLOSSARY
148	APPENDIX

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ng Siu Fai, *Chairman*

Ng Kam Wah Thomas, *Managing Director*

Ng Ki Hung Frankie

Ho Suk Lin

Independent Non-executive Directors

Cui Jianhua

Tsui Che Yin Frank

William Yau

AUDIT COMMITTEE

Tsui Che Yin Frank, *Chairman*

Cui Jianhua

William Yau

REMUNERATION COMMITTEE

Cui Jianhua, *Chairman*

Tsui Che Yin Frank

William Yau

NOMINATION COMMITTEE

Cui Jianhua, *Chairman*

Tsui Che Yin Frank

William Yau

COMPANY SECRETARY

Ho Suk Lin

AUDITOR

Grant Thornton Hong Kong Limited

Certified Public Accountants

SHARE LISTING

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

PRINCIPAL BANKERS

Hamburg Commercial Bank AG

The Hongkong and Shanghai Banking

Corporation Limited

United Overseas Bank Limited

SHARE REGISTRAR

Tricor Standard Limited

Level 54

Hopewell Centre

183 Queen's Road East

Hong Kong

REGISTERED OFFICE

26th Floor

Yardley Commercial Building

1-6 Connaught Road West

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Chairman's Statement

The Board is pleased to present the annual report of **Jinhui Holdings Company Limited** for the financial year 2021.

Dry bulk shipping market showed strong sign of rebound amid global economic recovery in 2021. The market is characterized by robust freight rates driven by a general increase in demand for commodities worldwide. Both Baltic Dry Index and charter rates across all vessel classes had been showing encouraging improvements when comparing year 2020, where market sentiment had been subdued by the uncertain demand prospects due to the outbreak of COVID-19 global pandemic and various national lockdowns. There are notable global economic rebounds in 2021 and major financial markets soared, reflecting better corporate earnings and market conditions. The market is supported by strong cargo flow that outpaced vessel supply. The surge of global seaborne trade of steel and iron ores, grain, soybean and other agricultural commodities, have driven market freight rates in an upward trend in 2021.

The Group's revenue for the year 2021 increased 178% to HK\$1,022,335,000, comparing to HK\$367,523,000 for the year 2020. The net profit attributable to shareholders of the Company for the year 2021 was HK\$826,895,000 as compared to a net loss of HK\$85,840,000 was reported for the year 2020. The turnaround from loss to profit is primarily attributable to the combined effect of the remarkable rebound in dry bulk shipping market as seaborne trade activities gradually recovered since late 2020 and the increase in number of owned vessels that led to a significant increase in the Group's chartering freight and hire revenue to HK\$1,022,335,000; and the recognition of reversal of impairment loss on owned vessels of HK\$1,042,129,000. The reversal of impairment loss on owned vessels is non-cash in nature and does not have impact on the operating cash flows of the Group. Basic earnings per share for the year was HK\$1.559 as compared to basic loss per share of HK\$0.162 for the year 2020.

During the year 2021, the Group entered into agreements to acquire eight vessels and took delivery of six vessels. We considered acquiring additional vessels could allow the Group to generate more operating income and cashflow from the core shipping business and increase the returns of the Company in the future. 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 high financial flexibility and operational competitiveness. At the same time, we remain alert to the increasingly frequent economic, geo-political, or other unforeseen surprises that can trigger volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. We currently have no capital expenditure commitment in relation to newbuilding contracts, and will continue to focus on taking sensible and decisive actions to maintain a strong financial position.

The Board recommended the payment of a final dividend of HK6 cents per share for the year ended 31 December 2021, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

When we look at the industry fundamentals, the supply of new vessels remains low, the industry outlook continues to point towards a relatively strong freight market for our business operations. The latest Omicron COVID variant have spread across a number of geographical locations. Measures to combat against the spread of virus differ from country to country, and can be relaxed or reinforced with very little notice. Logistics of the transportation of goods and commodities will continue to be affected and disruptions are likely to continue in the foreseeable future.

Chairman's Statement

With the expected global dry bulk fleet growth at historical lows, and with no consensus in the industry with regards to the next generation engine design to reduce carbon emission, new vessel orders are expected to be few. Looking ahead, this potentially highly favorable demand and supply dynamics is expected to continue, where our fleet is well positioned to benefit.

On behalf of the Board of Directors of the Company, I would like to first express our heartfelt appreciation to our seafarers who have continued to remain professional under the current extremely challenging operating environment, as well as 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.

By Order of the Board

Ng Siu Fai

Chairman

Hong Kong, 15 March 2022

Strategies and Business Profile

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

STRATEGIES

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

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

SHIPPING BUSINESS

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

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

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

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

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. Our vessels adopted IMO Data Collection System on fuel consumption and we switched to compliant low sulfur content bunker fuel in order to meet the IMO 2020 Sulphur Cap requirement. We have developed policies and procedures intended to ensure our compliance with these laws, regulations and rules.

Owned Vessels

As at 31 December 2021, the Group had twenty four owned vessels and 554 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 RONG	Supramax	2008	Tsuneishi	58,729
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 AN	Supramax	2007	Kawasaki	55,866
JIN XING	Supramax	2007	Oshima	55,496
JIN YI	Supramax	2007	Oshima	55,496
JIN YUAN	Supramax	2007	Oshima	55,496
JIN CHENG	Supramax	2004	New Century	53,806
JIN SHUN	Supramax	2007	Shanghai Shipyard	53,350
JIN FENG	Supramax	2004	Oshima	52,686
JIN QUAN	Supramax	2006	Tsuneishi	52,525
JIN SHENG	Supramax	2006	IHI	52,050
JIN YAO	Supramax	2004	IHI	52,050
ATLANTICA	Supramax	2001	Shanghai Shipyard	50,259
				1,412,518

Note:

In December 2021, the Group entered into two agreements in respect of the acquisition of two Supramaxes each at a consideration of US\$17,250,000 (approximately HK\$134,550,000) and the total consideration of the two vessels is US\$34,500,000 (approximately HK\$269,100,000). The first vessel is deadweight 56,361 metric tons and the second vessel is deadweight 56,469 metric tons. The first vessel was delivered to the Group in February 2022 and the second vessel will be delivered to the Group on or before 30 March 2022.

Highlights

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

Loading Ports Analysis

	2021	2020
<i>(Expressed as a percentage of revenue)</i>	%	%
Asia excluding China	89.0	84.4
Australia	5.8	12.3
North America	3.1	–
China	1.5	2.2
Europe	0.6	–
Africa	–	1.1
	100.0	100.0

Discharging Ports Analysis

	2021	2020
<i>(Expressed as a percentage of revenue)</i>	%	%
China	87.5	94.1
Asia excluding China	10.9	5.9
North America	1.6	–
	100.0	100.0

Types of Cargoes carried by the Group's Fleet

	2021		2020	
	Metric Tons <i>(in '000)</i>	%	Metric Tons <i>(in '000)</i>	%
Minerals	8,971	86.1	6,927	70.1
Coal	1,083	10.4	1,971	20.0
Steel products	364	3.5	427	4.3
Cement	–	–	548	5.6
	10,418	100.0	9,873	100.0

Highlights

KEY PERFORMANCE INDICATORS FOR SHIPPING BUSINESS

	2021 HK\$'000	2020 HK\$'000
Average daily time charter equivalent rate ¹	150	57
Daily vessel running cost ²	36	30
Daily vessel depreciation ³	20	17
Daily vessel finance cost ⁴	1	2
	57	49
Average utilization rate ⁵	96%	98%

As at 31 December 2021, the Group had twenty four owned vessels. Revenue from chartering freight and hire for the year 2021 increased 178% to HK\$1,022,335,000, comparing to HK\$367,523,000 for the year 2020 due to the increase in number of owned vessels and the improved revenue earned from the average daily time charter equivalent rate earned by the Group's owned vessels, improving 165% to US\$19,233 (approximately HK\$150,000) for the year 2021 as compared to US\$7,269 (approximately HK\$57,000) for the year 2020. Daily vessel running cost increased from US\$3,851 (approximately HK\$30,000) for the year 2020 to US\$4,624 (approximately HK\$36,000) for the year 2021 due to the increased crew costs. Daily vessel finance cost decreased 33% from US\$242 (approximately HK\$2,000) for the year 2020 to US\$161 (approximately HK\$1,000) for the year 2021 due to the decrease in interest rate and the reduction in secured bank loans as compared with that of the year 2020. Fleet utilization rate decreased from 98% for the year 2020 to 96% for the year 2021. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

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

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Key Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	1,022,335	367,523	492,645	593,680	573,663
Net profit (loss) for the year	1,498,072	(138,553)	12,085	78,338	(28,149)
Other comprehensive income (loss)	17,067	13,833	(7,615)	(890)	2,450
Total comprehensive income (loss) for the year	1,515,139	(124,720)	4,470	77,448	(25,699)
Total comprehensive income (loss) for the year attributable to:					
Shareholders of the Company	837,064	(77,915)	(10,261)	48,303	(11,225)
Non-controlling interests	678,075	(46,805)	14,731	29,145	(14,474)
	1,515,139	(124,720)	4,470	77,448	(25,699)
Other Financial Information					
Basic earnings (loss) per share	HK\$1.559	HK\$(0.162)	HK\$(0.007)	HK\$0.091	HK\$(0.026)

Highlights

FIVE-YEAR FINANCIAL SUMMARY (Continued)

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Key Items in the Consolidated Statement of Financial Position					
Non-current assets	3,592,612	2,264,529	2,435,596	2,180,732	2,287,911
Current assets	929,599	844,997	1,008,892	913,546	1,003,837
Current liabilities	(695,645)	(691,335)	(796,906)	(433,714)	(654,071)
Non-current liabilities	(345,073)	(440,507)	(545,178)	(553,944)	(599,819)
Net assets	3,481,493	1,977,684	2,102,404	2,106,620	2,037,858
Issued capital	381,639	381,639	381,639	381,639	381,639
Reserves	1,593,150	756,086	834,001	844,262	795,959
Equity attributable to shareholders of the Company	1,974,789	1,137,725	1,215,640	1,225,901	1,177,598
Non-controlling interests	1,506,704	839,959	886,764	880,719	860,260
Total equity	3,481,493	1,977,684	2,102,404	2,106,620	2,037,858
Other Financial Information					
Gearing ratio	6%	19%	18%	6%	13%

Corporate Governance Report

CORPORATE GOVERNANCE PRINCIPLES

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

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

The Company has complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2021, with deviations explained in this corporate governance report.

DIRECTORS

The Board

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

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

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

Corporate Governance Report

DIRECTORS (Continued)

The Board (Continued)

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

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

The Board meets regularly over the Company's affairs and operations. The attendance records of each member of the Board and board committees at meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee held in 2021, and the 2021 Annual General Meeting are set out below:

	Number of meetings attended / held for the year 2021				2021 Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Executive Directors					
Ng Siu Fai, <i>Chairman</i>	10/10	–	–	–	1/1
Ng Kam Wah Thomas, <i>Managing Director</i>	10/10	–	–	–	1/1
Ng Ki Hung Frankie	10/10	–	–	–	1/1
Ho Suk Lin	10/10	–	–	–	1/1
Independent Non-executive Directors					
Cui Jianhua	10/10	2/2	1/1	1/1	1/1
Tsui Che Yin Frank	10/10	2/2	1/1	1/1	0/1
William Yau	10/10	2/2	1/1	1/1	1/1

Corporate Governance Report

DIRECTORS *(Continued)*

Chairman and Chief Executive

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

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

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

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

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

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

Corporate Governance Report

DIRECTORS *(Continued)*

Board composition

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

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

Biographical details of the Directors and the relationships (including financial, business, family or other material or relevant relationships) among members of the Board are set out on pages 53 and 54.

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

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

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

Corporate Governance Report

DIRECTORS *(Continued)*

Appointments and re-election of directors

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

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

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

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

Re-election of independent non-executive directors

Mr. Tsui Che Yin, Frank has served as an independent non-executive director since 1994. As Mr. Tsui has served the Company for more than nine years, and he was subject to re-election as an independent non-executive director at the 2021 Annual General Meeting, the Board assessed and considered that Mr. Tsui's independence was not affected by his long service with the Company. Mr. Tsui met the independence guideline as set out in Rule 3.13 of the Listing Rules. He has been independent of the management and free from any business or other relationship or circumstances which would materially interfere with the exercise of his independent judgement. His further appointment which was subject to a separate resolution had been approved by Shareholders at the 2021 Annual General Meeting held on 25 May 2021.

Corporate Governance Report

DIRECTORS *(Continued)*

Nomination Committee

The Nomination Committee was established on 1 January 2013, currently comprising three independent non-executive directors, Mr. Cui Jianhua (chairman of Nomination Committee), Mr. Tsui Che Yin Frank and Mr. William Yau. The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. The Nomination Committee has a board diversity policy to achieve diversity on the Company's board of directors. The diversity perspective in the board diversity policy has been considered from a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Group pursues a policy of gender equality. The Board currently consists of seven members, of whom six members are male and one member is female. The nomination procedures are carefully reviewed with due consideration to avoid gender discrimination and to ensure equal opportunities and rights in workplace. The Company also has a director nomination policy in place to assist the Board in making recommendations on the appointment of directors, and succession planning for directors. The nomination policy states that in assessing the suitability of the proposed candidate, the Nomination Committee shall consider a number of factors, including but not limited to the reputation for integrity, accomplishment, experience and reputation in the shipping industry and other relevant sectors, time commitment to the Company's business, diversity in various aspects, and the ability to assist and support management and make contributions to the Company. The appointment of any proposed candidate shall be made in accordance with the Company's Articles of Association and other applicable rules and regulations and the details of the procedures for shareholders to propose a person for election as a director of the Company are also available in the Company's website. When proposing an independent non-executive director candidate for election, Nomination Committee will set out (i) the process by which the candidate was identified, (ii) reasons why the candidate should be elected, (iii) reasons the candidate is independent, (iv) the perspectives, skills and experience the candidate brings, and (v) how the candidate will contribute to diversity of the board, and where an independent non-executive director candidate is nominated to a seventh (or more) listed company directorship, the board must explain why it believes the candidate will still be able to devote sufficient time to his / her role. The Board's composition is included in the corporate governance report and the Nomination Committee shall meet at least once a year. The Nomination Committee is provided with sufficient resources to perform its duties and has access to independent professional advice if necessary.

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

During the year, there is no change to the Board's composition, nor any election of new director. The Nomination Committee held a meeting to review the structure, size and composition of the Board, and make recommendations to the Board.

Corporate Governance Report

DIRECTORS *(Continued)*

Responsibilities of directors

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

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

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

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

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

Corporate Governance Report

DIRECTORS *(Continued)*

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 2021.

Supply of and access to information

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

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

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

Corporate Governance Report

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Remuneration Committee *(Continued)*

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

During the year, the Remuneration Committee held a meeting to review and assess the management's remuneration proposals with reference to the corporate goals and objectives, and to make recommendations to the Board regarding the remuneration to individual executive directors and senior management. Details of the emoluments of the Directors and remuneration to senior management by band for the year are set out in note 12 to the consolidated financial statements.

ACCOUNTABILITY AND AUDIT

Financial reporting

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

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

The Directors are responsible for preparing the consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. Appropriate accounting policies have also been used and applied consistently. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt on the Group's ability to continue as a going concern. A statement by the auditor of the Company about auditor's responsibility on the consolidated financial statements of the Group is set out in "Independent Auditor's Report" on pages 65 to 69. A separate statement of the strategy and business model is included in "Strategies and Business Profile" on pages 5 and 6 and the Board also present a balanced, clear and understandable assessment of the Group's performance in its "Management Discussion and Analysis" on pages 37 to 52.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk management and internal control

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

The Board, through the assistance of Audit Committee, has conducted an annual review of the effectiveness of the Group's risk management and internal control systems, covering all material financial, operational and compliance controls. In particular, the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Group's accounting and financial reporting functions are reviewed. The annual review also covered the Group's significant and emerging risks in shipping business; the quality of management's ongoing monitoring of risks and of the internal control systems; the extend and frequency of communication of monitoring results to the Audit Committee and the Board; whether there is any significant control failings or weaknesses identified and the effectiveness of the Group's processes for financial reporting and Listing Rules compliance. For the year 2021, 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

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk management and internal control *(Continued)*

The Group has a defined organizational structure with clearly defined lines of responsibility and authority. Each business unit / department is accountable for its daily operations and is required to report to executive directors on a regular basis. Policies and procedures are set for each business unit / department, which includes approvals, authorization, verification, recommendations, performance reviews, assets security and segregation of duties. The key control procedures include establishing and maintaining effective policies to ensure proper management of risks to which the Group are exposed and taking appropriate and timely action to manage such risks, establishing a structure with defined authorities and proper segregation of duties; monitoring the strategic plan and performance; designing an effective accounting and information system; controlling price sensitive information; and ensuring swift actions and timely communication with our stakeholders. At least twice a year, the management will report to the Audit Committee on the effectiveness of risk management and internal control systems. The Audit Committee review how management designs, implements and monitors risk management and internal control procedures, findings and recommendations and follow-up procedures on the annual assessment; and the Audit Committee will report on the overall effectiveness of the risk management and internal control systems to the Board annually. The Group's risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives. With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorized use of inside information and has communicated to all staff; the Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs. Details of the Group's risk management policies are set out in "Management Discussion and Analysis" on pages 48 to 50 and note 39 to the consolidated financial statements on pages 128 to 135.

CG Code provision C.2.5 Under code provision C.2.5 of the CG Code, the Group should have an internal audit function. Based on the size and simple operating structure of the Group as well as the existing internal control processes, the Board has decided not to set up an internal audit department for the time being. When necessary, the Audit Committee under the Board would carry out the internal audit function for reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group.

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

Corporate Governance Report

ACCOUNTABILITY AND AUDIT *(Continued)*

Audit Committee

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

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

During the year, the Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the Company's interim and annual reports before submission to the Board. The Audit Committee held two meetings in 2021. The Group's annual consolidated financial statements for the year ended 31 December 2021 and interim consolidated financial statements for the period ended 30 June 2021 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.

Corporate Governance Report

DELEGATION BY THE BOARD

Management functions

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

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

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

The list of executive directors and senior management and their biographical details are set out on pages 53 and 54.

Board committees

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

Corporate governance functions

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

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

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

Effective communication

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

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

The 2022 Annual General Meeting of the Company will be held on Wednesday, 1 June 2022. Notice of the Annual General Meeting will be published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.jinhuiship.com, and will be despatched to shareholders of the Company in due course.

The register of members of the Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 26 May 2022.

Voting by poll

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

COMPANY SECRETARY

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

Corporate Governance Report

AUDITOR'S REMUNERATION

The performance of the auditor of the Company during the year has been reviewed by the Audit Committee. In 2021, the remuneration paid and payable to the auditor of the Company for the provision of the Group's audit services and other services were HK\$2,000,000 and HK\$466,000 respectively. The other services mainly include interim review, tax compliance services and review of internal control systems.

INVESTOR RELATIONS

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

SHAREHOLDERS' RIGHT

Procedures for shareholders to call a general meeting

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

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

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

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

Corporate Governance Report

SHAREHOLDERS' RIGHT *(Continued)*

Procedures for shareholders to circulate a resolution for annual general meeting

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

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

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

Shareholders' enquiries

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

Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT STRATEGIES

The Board has the overall responsibility and accountability for ESG strategy and reporting. We follow the guidelines in the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules with deviations explained on provisions that are not applicable to the Group’s business operations and corporate-wide operations throughout the year ended 31 December 2021, or not included or reported in this report. This report focuses largely on our shipping operations which are carried out internationally and on working environments and corporate-wide practices relating to our sustainability performances.

PRINCIPLES

The Board

The Board has overall responsibility for the long term sustainability and ESG strategies which support growth and enhance value for the business and its stakeholders, as well as contribution to the environment and the community.

The Board and the management 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 environmentally friendly manner.

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 environmentally 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.

In line with the ESG guideline, the Board reports on an annual basis regarding the ESG performance. The management has provided confirmation to the Board on the effectiveness of the ESG risk management and internal control system.

Environmental, Social and Governance Report

REPORTING ON ESG KEY MATERIAL MATTERS

A. ENVIRONMENTAL

A1: Emissions

Jinhui Holdings owns a modern and high-quality fleet of dry bulk carriers and as at 31 December 2021, the Group had twenty four owned vessels which comprised mainly of grabs fitted Supramaxes. 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_x) – our vessels are built with the main engine and auxiliary engines that are fuel-efficient and comply with the latest emission of pollutants limits;

Sulphur Oxides (SO_x) – our vessels burn the required low sulphur content bunker fuel. Since 2020, our vessels have switched over to 0.5% low sulphur content heavy fuel oil according to IMO 2020 Sulphur Cap requirement. New requirements for China Emission Control Areas (“ECA”) in Chinese territorial waters as announced by the Chinese Ministry of Transport came into effect from 1 January 2019. When our vessels enter regional emission control areas, we switched to 0.1% ultra-low sulphur content fuel oil to minimize fuel consumption and emission.

Ozone depleting substances – majority of our vessels’ equipment do not contain ozone depleting substances and comply with all material aspects of the International Convention for the Prevention of Pollution from Ships (“MARPOL”) regulations pertaining to hazardous ozone depleting substances;

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

Carbon Dioxide (CO₂) 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. Our vessels adopted IMO Data Collection System on fuel consumption and we switched to compliant low sulphur content bunker fuel in order to meet the IMO 2020 Sulphur Cap requirement which is in effect starting from 1 January 2020.

The IMO’s Marine Environment Protection Committee (“MEPC”) has published a review on the quality of marine fuels supplied (“MEPC 76”). Following the adoption of MEPC 76 in June 2021, the attained Energy Efficiency Existing Ship Index (“EEXI”) is required to be calculated for every ship and the requirement will enter into force in 2023. Ships are required to meet a specific required EEXI, which is based on a required reduction factor expressed as a percentage relative to the Energy Efficiency Design Index (“EEDI”) baseline. By 2023, our fleet vessels have to comply with the required EEXI. A series of modification on the main and auxiliary machinery will be made to meet with the EEXI requirement according to the adopted guidelines.

Environmental, Social and Governance Report

REPORTING ON ESG KEY MATERIAL MATTERS *(Continued)*

A. ENVIRONMENTAL *(Continued)*

A1: Emissions *(Continued)*

KPI A1.1 The types of emissions and respective emissions data

Energy Efficiency Operational Indicator ("EEOI") is an index showing the amount of CO₂ emission per tonne of cargo carried per mile of sea voyage.

2021: the average EEOI of the fleet is about 13.2 grammes CO₂ / MT.Mile

2020: the average EEOI of the fleet is about 12.5 grammes CO₂ / MT.Mile

The EEOI of 2021 is about 0.7 grammes increase from the 2020 EEOI figure, representing an increase of 5.6% as compared to 2020.

For coming year 2022, our aim is to reduce the EEOI by 2% of the 2021 figure. The main effort will still be on better management on fuel consumption optimization and better arrangement on cargo carriage with less ballast passage.

KPI A1.2 Greenhouse gas emissions in tonnes and intensity

The fuel oil consumption and the corresponding CO₂ emission of the fleet are as follows:

Fuel oil consumption:

2021: Fuel oil consumption – 81,088 tonnes

2020: Fuel oil consumption – 69,621 tonnes

Corresponding CO₂ emission:

2021: CO₂ emission – 252,959 tonnes

2020: CO₂ emission – 216,682 tonnes

Fuel oil consumption and corresponding CO₂ emission in 2021 is about 16.5% and 16.7% more than that of 2020 respectively. Due to more steaming time of fleet vessels in the year 2021 as quarantine time has been relaxed slightly in loading and discharging ports and the expansion of fleet size by six more vessels in the year 2021, fuel consumption by the fleet vessels has increased and correspondingly more CO₂ emission for the year 2021.

Environmental, Social and Governance Report

REPORTING ON ESG KEY MATERIAL MATTERS *(Continued)*

A. ENVIRONMENTAL *(Continued)*

A1: Emissions *(Continued)*

KPI A1.3 Hazardous waste produced

Waste from our vessels included garbage and food waste which are trivial and not hazardous. Disclosures on hazardous waste produced as described in KPI A1.3 are not applicable to the Group and no KPI are identified and disclosed.

KPI A1.4 Non-hazardous waste produced

Waste from our vessels included garbage and food waste which are trivial and non-hazardous. These wastes are disposed of by incineration, shore collection and other means according to MARPOL Annex V and local requirements. We consider the impact and amount of waste are trivial and no KPI are identified and disclosed.

KPI A1.5 Description of emissions target(s) set and steps taken to achieve them

The fleet vessels' SEEMP plans are Nippon Kaiji Kyokai certified in compliance to IMO Resolutions.

CO₂ emission reduction – since February 2013, the Group has adopted the 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 oil consumption and carbon emission which influence the global environment. SEEMP Part II has also been adopted since 2018. Starting from 2019, our vessels adopted IMO Data Collection System on fuel consumption to allow us monitor and improve fuel efficiency and to mitigate emissions.

Due to more steaming time of fleet vessels and the expansion of fleet size in the year 2021, fuel consumption by the fleet vessels has increased and correspondingly more CO₂ emission for the year 2021.

Environmental, Social and Governance Report

REPORTING ON ESG KEY MATERIAL MATTERS *(Continued)*

A. ENVIRONMENTAL *(Continued)*

A1: Emissions *(Continued)*

KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them

Waste from our vessels included garbage and food waste which are trivial and non-hazardous. These wastes are disposed of by incineration, shore collection and other means according to MARPOL Annex V and local requirements. We consider the impact and amount of waste are trivial and no KPI are identified and disclosed.

As discussed in our ESG principles, we were committed to operate our vessels in compliance with MARPOL regulations pertaining to hazardous ozone depleting substances; and there were no material marine waste discharge or environment pollution incidents happened in both years 2021 and 2020.

A2: Use of Resources

It has always been our policy to maintain high standard of environmental protection awareness and to operate our vessels in a safe and environmentally 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 The International Safety Management Code ("ISM Code"), The International Ship and Port Facility Security 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.

KPI A2.1 Direct and / or indirect energy consumption by electricity, gas or oil in total and intensity per vessel

Fuel oil consumption:

2021: 0.5% low sulphur content heavy fuel oil consumption – 79,611 tonnes

2020: 0.5% low sulphur content heavy fuel oil consumption – 67,911 tonnes

2021: 0.1% ultra-low sulphur content fuel oil consumption – 1,477 tonnes

2020: 0.1% ultra-low sulphur content fuel oil consumption – 1,710 tonnes

Since 2020, our vessels have switched over to 0.5% low sulphur content heavy fuel oil according to IMO 2020 Sulphur Cap requirement. New requirements for China Emission Control Areas ("ECA") in Chinese territorial waters as announced by the Chinese Ministry of Transport came into effect on 1 January 2019. When our vessels enter regional emission control areas, we switched to 0.1% ultra-low sulphur content fuel oil to minimize fuel consumption and emission. As our fleet vessels trade less into ECA, our consumption of 0.1% ultra-low sulphur content fuel oil dropped in 2021.

Environmental, Social and Governance Report

REPORTING ON ESG KEY MATERIAL MATTERS *(Continued)*

A. ENVIRONMENTAL *(Continued)*

A2: Use of Resources *(Continued)*

KPI A2.2 Water consumption in total and intensity per vessel

Water consumption is about 7 tonnes of water per vessel per day.

2021: Water consumption – 49,000 tonnes

2020: Water consumption – 46,000 tonnes

Fresh water consumption for the year had increased due to the expansion of the fleet size.

KPI A2.3 Description of energy use efficiency initiatives and results achieved

EEOI is an index showing the amount of CO₂ emission per tonne of cargo carried per mile of sea voyage.

2021: the average EEOI of the fleet is about 13.2 grammes CO₂ / MT.Mile

2020: the average EEOI of the fleet is about 12.5 grammes CO₂ / MT.Mile

The EEOI of 2021 is about 0.7 grammes increase from the 2020 EEOI figure, representing an increase of 5.6% as compared to 2020.

For coming year 2022, our aim is to reduce the EEOI by 2% of the 2021 figure. The main effort will still be on better management on fuel consumption optimization and better arrangement on cargo carriage with less ballast passage.

KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved

Fresh water is produced by vessel's own desalination plants running on waste heat of engines.

KPI A2.5 Total packaging material used for finished products

Disclosures on KPI A2.5 are not applicable to the Group as the Group's operations do not incur any production of finished products and any usage of packaging materials.

A3: The Environment and Natural Resources

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 environmentally 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 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.

Environmental, Social and Governance Report

REPORTING ON ESG KEY MATERIAL MATTERS *(Continued)*

A. ENVIRONMENTAL *(Continued)*

A4: Climate Change

The Paris Agreement is a legally binding international treaty on climate change and was adopted by consensus within the United Nations Framework Convention on Climate Change on 12 December 2015 and entered into force on 4 November 2016. The Paris Agreement central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. The Paris Agreement on climate change does not include international shipping, but IMO, as the regulatory body for the industry, is committed to reducing greenhouse gas emissions from international shipping.

IMO is committed to reducing Greenhouse Gas (“GHG”) Emissions from international shipping and, as a matter of urgency, aims to phase them out as soon as possible in this century.

Levels of IMO ambition:

1. Carbon intensity of the ship to decline through implementation of further phases of EEDI for new ships and EEXI for existing ships.
2. Carbon intensity of international shipping to decline. To reduce CO₂ emissions per transport work, as an average across international shipping, by at least 40% by year 2030, pursuing efforts towards 70% by year 2050, compared to year 2008.
3. GHG emissions from international shipping to peak as soon as possible and to reduce the total annual GHG emissions by at least 50% by year 2050 compared to year 2008 whilst pursuing efforts towards phasing them out as called for in the vision as a point on a pathway of CO₂ emissions reduction consistent with the Paris Agreement temperature goals.

We continue to assess the climate change phenomena and consider that there is no material and immediate threat to our operating business in short term. In medium and long term, we will monitor main climate change hazards, extreme weathers at seas, weather-related disruption to port and cargo loading activities across the global seaborne hubs and route. With flexible chartering policy and experienced captains and crew, we will swiftly respond to the climate change challenge by operating our vessels in geographical regions where are safe and practical. We will also reinvest, equip and modify our fleet to enable maximum environmental performance and compliance to climate change and maritime regulations.

Environmental, Social and Governance Report

REPORTING ON ESG KEY MATERIAL MATTERS *(Continued)*

B. SOCIAL

We encourage management and employees to take part in environmental preservation with best efforts. We support all kinds of environmentally 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.

Employment and Labour Practices

B1: Employment

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.

KPI B1.1 and B1.2 Total workforce by employment and employee turnover

We have extremely low employee turnover rate and as at 31 December 2021, the Group had 64 full-time employees.

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 2021, the Group had 64 (2020: 67) full-time employees, of whom 34 (2020: 36) employees were male and 30 (2020: 31) employees were female. At 31 December 2021, the Board consists of seven members, of whom six 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.

We are not aware of any material non-compliance with rules and regulations on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare issues during the reporting period.

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

Environmental, Social and Governance Report

REPORTING ON ESG KEY MATERIAL MATTERS *(Continued)*

B. SOCIAL *(Continued)*

B2: Health and Safety

KPI B2.1 Number and rate of work-related injuries

During the years 2021, 2020 and 2019 there were no work-related fatalities and there were no serious injuries or accidents of any kind among the employees of the Group.

KPI B2.2 Lost days due to work injuries

There were no serious injuries or accidents of any kind among the employees and the Group's overall lost day rate due to sickness was 0.6% (2020: 1.0%).

KPI B2.3 Description of occupational health and safety measures adopted

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 the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW Convention").

B3: Development and Training

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.

Given the nature of business operations is principally engaged in the businesses of ship chartering and ship owning, the operating practices are non-labour intensive and do not involve supply chain management. We also do not manufacture products, nor provide services that require product responsibility / product recalled in the business operations. Hence, we consider the provisions as set out in B4: Labour Standards, B5: Supply Chain Management and B6: Product Responsibility of Appendix 27 of the Listing Rules are not the key material matters to our business and have low impact on our stakeholders and these areas are not addressed in this ESG report.

Environmental, Social and Governance Report

REPORTING ON ESG KEY MATERIAL MATTERS *(Continued)*

Operating Practices

B7: Anti-Corruption

Jinhui Holdings has a sound and sufficient risk management and internal control measures in place. We understand the importance of anti-corruption and anti-money laundering and always uphold a high standard of corporate governance and maintain an ethical corporate culture. The Group's whistle-blowing policies and internal ethical guidelines are stated in our staff handbooks. Our employees can access the management or members of the Audit Committee to report any malpractices or misconduct internally. During the years 2021 and 2020, there was no report on any corrupt practices brought against the Group or its employees.

Community

B8: Community Investment

We encourage management and employees to take part in environmental preservation with best efforts. During the years 2021 and 2020, the Group made charitable donations of HK\$68,000 and HK\$31,000 respectively. We support all kinds of environmentally 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.

CONCLUSION

This ESG report aims to provide key material information to our stakeholders to understand the Group's environmental policies and performance; and compliance with the relevant laws and regulations. The Group has already disclosed the management approach and performance in relation to this key material information in the report. Key material information represents areas that we identified and deemed to be of significant impact to the Group's business and our stakeholders. We believe comments of our stakeholders will help us to evaluate our performance on environmental, social and governance aspects objectively and comprehensively and stakeholders are welcome to contact us and provide any feedback on our ESG performance and their expectations for our future ESG reports. We thank our captains and crew, ship management experts, and onshore colleagues to operate our shipping business and continue to remain professional under the current extremely challenging operating environment and we also thank our customers and stakeholders for their ongoing supports to the Group.

Management Discussion and Analysis

BUSINESS REVIEW

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

The freight market for most of 2021 has been favourable for the Group, with strong support in asset prices underpinned by healthy earnings, driven by strong dry bulk commodities demands and limited tonnage growth. Both Baltic Dry Index and charter rates across all vessel classes had been showing encouraging improvements when comparing year 2020, where market sentiment had been subdued by the uncertain demand prospects due to the outbreak of COVID-19 global pandemic and various national lockdowns. The market freight rate continued to surge in 2021 to multi-years highs and reached to the peak in October 2021. Baltic Dry Index opened at 1,366 points in January and rose to the peak at 5,650 points in October and closed at 2,217 points by the end of December 2021. The average of Baltic Dry Index for the year 2021 was 2,943 points, which compares to 1,066 points in 2020.

Baltic Dry Index & Baltic Supramax Index



Source: Bloomberg

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Average daily time charter equivalent rates	2021	2020
	US\$	US\$
Post-Panamax fleet	19,116	9,929
Supramax fleet	19,247	6,986
In average	19,233	7,269

As at 31 December 2021, the Group had twenty four owned vessels. The Group's revenue represents chartering freight and hire income arising from the Group's owned vessels. 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. 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. Revenue from chartering freight and hire for the year 2021 increased 178% to HK\$1,022,335,000, comparing to HK\$367,523,000 for the year 2020 due to the increase in number of owned vessels and the improved revenue earned from the average daily time charter equivalent rate earned by the Group's owned vessels, improving 165% to US\$19,233 (approximately HK\$150,000) for the year 2021 as compared to US\$7,269 (approximately HK\$57,000) for the year 2020.

Revenue of HK\$413,629,000, HK\$315,218,000 and HK\$159,580,000 were derived from three charterers that contributed 40%, 31% and 16% respectively to the Group's revenue for the year 2021. Management has a credit policy in place for approving the credit limits to charterers and the exposures to credit risk are monitored such that any outstanding trade receivables are reviewed and followed up on an ongoing basis. For trade receivables from customers, credit evaluations including assessing the customer's creditworthiness and financial standing are performed on customers requiring a credit over certain amount. The management consider that the credit risks inherent in the Group's outstanding trade receivables within one year past due was immaterial.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

Key Performance Indicators for Shipping Business	2021 HK\$'000	2020 HK\$'000
Average daily time charter equivalent rate	150	57
Daily vessel running cost	36	30
Daily vessel depreciation	20	17
Daily vessel finance cost	1	2
	57	49
Average utilization rate	96%	98%

Daily vessel running cost increased 20% from US\$3,851 (approximately HK\$30,000) for the year 2020 to US\$4,624 (approximately HK\$36,000) for the year 2021 due to the increased crew costs. Daily vessel finance cost decreased 33% from US\$242 (approximately HK\$2,000) for the year 2020 to US\$161 (approximately HK\$1,000) for the year 2021 due to the decrease in interest rate and the reduction in secured bank loans as compared with that of the year 2020. Fleet utilization rate decreased from 98% for the year 2020 to 96% for the year 2021. We will continue with our cost reduction effort, striving to maintain a highly competitive cost structure when stacked against other market participants.

As at 31 December 2021, the Group had twenty four owned vessels as follows:

	Number of owned vessels
Post-Panamax fleet	2
Supramax fleet	22
Total fleet	24

Given the remarkable rebound in dry bulk shipping market, the management considered acquiring additional vessels could allow the Group to generate more operating income and increase the returns of the Company in the future. During the year, the Group entered into agreements to acquire eight vessels and took delivery of six vessels.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

On 2 March 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 53,806 metric tons at a purchase price of US\$7,275,000 (approximately HK\$56,745,000), which was delivered to the Group in March 2021.

On 27 April 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 52,525 metric tons at a purchase price of US\$9,300,000 (approximately HK\$72,540,000), which was delivered to the Group in June 2021.

On 20 May 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 52,686 metric tons at a purchase price of US\$10,813,000 (approximately HK\$84,341,000), which was delivered to the Group in August 2021.

On 9 July 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 55,866 metric tons at a purchase price of US\$15,180,000 (approximately HK\$118,404,000), which was delivered to the Group in October 2021.

On 20 August 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 58,729 metric tons at a purchase price of US\$17,000,000 (approximately HK\$132,600,000), which was delivered to the Group in November 2021.

On 5 October 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 53,350 metric tons at a purchase price of US\$15,750,000 (approximately HK\$122,850,000), which was delivered to the Group in November 2021.

On 22 December 2021, the Group entered into two agreements in respect of the acquisition of two Supramaxes each at a consideration of US\$17,250,000 (approximately HK\$134,550,000) and the total consideration of the two vessels is US\$34,500,000 (approximately HK\$269,100,000). The first vessel is deadweight 56,361 metric tons and the second vessel is deadweight 56,469 metric tons. The first vessel was delivered to the Group in February 2022 and the second vessel will be delivered to the Group on or before 30 March 2022.

Subsequent to the reporting date, the Group entered into an agreement on 8 March 2022 in respect of the disposal of a Supramax of deadweight 53,806 metric tons, built in year 2004, at a consideration of US\$13,900,000 (approximately HK\$108,420,000). The vessel will be delivered to the purchaser on or before 8 April 2022.

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 high financial flexibility and operational competitiveness.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and operating profit. Revenue from chartering freight and hire for the year 2021 increased 178% to HK\$1,022,335,000, comparing to HK\$367,523,000 for the year 2020 due to the increase in number of owned vessels and the improved revenue earned from the average daily time charter equivalent rate earned by the Group's owned vessels, improving 165% to US\$19,233 (approximately HK\$150,000) for the year 2021 as compared to US\$7,269 (approximately HK\$57,000) for the year 2020.

The net profit attributable to shareholders of the Company for the year 2021 was HK\$826,895,000, whereas net loss of HK\$85,840,000 was reported for the year 2020. Basic earnings per share for the year was HK\$1.559 as compared to basic loss per share of HK\$0.162 for the year 2020.

Other operating income. Other operating income increased from HK\$54,040,000 for the year 2020 to HK\$100,636,000 for the year 2021 mainly due to the Group recognized a net gain of HK\$33,492,000 on bunker arising from shipping operations.

Interest income. Interest income decreased from HK\$38,807,000 for the year 2020 to HK\$23,510,000 for the year 2021 mainly due to the drop in interest income generated from loan receivables as a result of certain borrowers chose to early repay respective loans.

Reversal of impairment loss on owned vessels. Dry bulk shipping market had strengthened remarkably in 2021 reflected in the upsurge of market freight rates and significant increase in the market value of dry bulk vessels, the Group reviewed the dry bulk shipping market environment, the overall macro environment and the market value of dry bulk vessels at the reporting dates. The management considered that the reversal of impairment indication of the Group's fleet existed at both reporting dates and performed reversal of impairment loss review on both 30 June 2021 and 31 December 2021. Accordingly, a reversal of impairment loss of HK\$511,068,000 on owned vessels classified in property, plant and equipment was recognized at 30 June 2021 and a further reversal of impairment loss of HK\$531,061,000 on owned vessels was recognized at 31 December 2021 to reflect our change in the expectation on the long term global economic and the dry bulk shipping industry outlook which affect the assumptions applied in estimation of the value in use of our owned vessels. The total reversal of impairment loss on owned vessels recognized in 2021 was HK\$1,042,129,000. The reversal of impairment loss on owned vessels is non-cash in nature and does not have impact on the operating cash flows of the Group.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Shipping related expenses. Shipping related expenses mainly comprised of crew expenses, insurance, consumable stores, spare parts, repairs and maintenance and other vessels' expenses. Shipping related expenses increased from HK\$269,044,000 for the year 2020 to HK\$339,493,000 for the current year mainly due to the inflation and the increase in number of owned vessels that led to an increase in shipping related expenses for the year. The Group's daily vessel running cost increased to US\$4,624 (approximately HK\$36,000) for the year 2021 as compared to US\$3,851 (approximately HK\$30,000) for the year 2020 due to the increased crew costs. 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 decreased from HK\$82,212,000 for the year 2020 to HK\$76,782,000 for the year 2021. The decrease was mainly attributable to the net loss of HK\$16,115,000 on financial assets at fair value through profit or loss was recognized in 2021 as compared to a net loss of HK\$30,445,000 was recognized in 2020. Other operating expenses for the year 2021 also included change in fair value of investment properties of approximately HK\$20.4 million, directors' fee of approximately HK\$6.7 million, professional fee of approximately HK\$5.7 million, auditor's remuneration related to audit services of approximately HK\$2 million and remaining are various office administrative expenses.

Finance costs. Finance costs dropped to HK\$16,070,000 for the year 2021, as compared to HK\$28,045,000 for the year 2020 mainly due to the decrease in interest rate and the constant repayment of vessel mortgage loans as compared with that of the year 2020.

Financial assets at fair value through profit or loss. As at 31 December 2021, the Group's portfolio of investment in financial assets at fair value through profit or loss was HK\$368,898,000 (2020: HK\$321,088,000), in which HK\$343,981,000 (2020: HK\$274,354,000) was investment in listed equity securities, HK\$22,516,000 (2020: HK\$44,780,000) was investment in listed debt securities and HK\$2,401,000 (2020: HK\$1,954,000) was investment in investment funds.

During the year, the Group's net loss on financial assets at fair value through profit or loss was HK\$16,115,000 (2020: HK\$30,445,000). The net loss of HK\$16,115,000 on financial assets at fair value through profit or loss comprised of a realized gain of HK\$21,342,000 upon disposal of certain equity and debt securities during the year, and an unrealized fair value loss of HK\$37,457,000 on financial assets at fair value through profit or loss for the year 2021. The aggregate interest income and dividend income from financial assets for the year was HK\$36,824,000 (2020: HK\$48,918,000).

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Loan receivables. As at 31 December 2021, the Group's loan receivables were HK\$72,041,000 (2020: HK\$260,192,000) in which HK\$67,607,000 (2020: HK\$260,192,000) arise from asset-based financing, are denominated in United States Dollars and are secured by collaterals provided by the borrowers, bear interest and are repayable with fixed terms agreed with the borrowers. During the year, certain borrowers chose to early repay respective loans and such repayments led to a decrease in loan receivables as at 31 December 2021. At the reporting date, these receivables have been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness and the collection statistics, and are not considered as impaired. The carrying amount of these loan receivables are considered to be a reasonable approximation of their fair values.

Trade and other payables. As at 31 December 2021, the Group's trade and other payables was HK\$180,048,000 (2020: HK\$143,852,000), including trade payables of HK\$1,212,000 (2020: HK\$1,810,000), accrued charges of HK\$9,408,000 (2020: HK\$7,778,000) and other payables of HK\$169,428,000 (2020: HK\$134,264,000). Other payables mainly included payables related to vessel running cost and ship operating expenses of HK\$143,761,000 (2020: HK\$123,908,000) for owned vessels, hire receipt in advance of HK\$10,561,000 (2020: HK\$5,293,000) from charterers, loan interest payables of HK\$1,034,000 (2020: HK\$1,350,000) and accrued employee benefits payables of HK\$12,092,000 (2020: HK\$1,851,000). The increase in hire receipt in advance was mainly attributable to the increase in amount of prepaid hire from charterers resulting from the upsurge of market hire rates.

Liquidity, financial resources and capital structure. As at 31 December 2021, the Group maintained positive working capital position of HK\$233,954,000 (2020: HK\$153,662,000) and the total of the Group's equity and debt securities, bank balances and cash increased to HK\$635,672,000 (2020: HK\$603,541,000). During the year, cash generated from operations before changes in working capital was HK\$590,618,000 (2020: cash used in operations before changes in working capital was HK\$31,109,000) and the net cash generated from operating activities after working capital changes was HK\$685,857,000 (2020: HK\$202,861,000). The changes in working capital are mainly attributable to the decrease in loan receivables due to certain borrowers chose to early repay respective loans, partially offset by the increase in equity and debt securities.

The Group's total secured bank loans decreased from HK\$986,174,000 as at 31 December 2020 to HK\$860,436,000 as at 31 December 2021, of which 60%, 19% and 21% are repayable respectively within one year, one to two years and two to five years. During the year, the Group had drawn new revolving loans and term loan of HK\$97,939,000 (2020: HK\$149,079,000) and repaid HK\$223,677,000 (2020: HK\$351,098,000). The bank borrowings represented vessel mortgage loans that were denominated in United States Dollars, revolving loans, term loans and property mortgage loans that were denominated in Hong Kong Dollars and United States Dollars. All bank borrowings were committed on floating rate basis.

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 6% (2020: 19%) as at 31 December 2021. 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 2021, the Group is able to service its debt obligations, including principal and interest payments.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Pledge of assets. As at 31 December 2021, the Group's property, plant and equipment with an aggregate net book value of HK\$2,424,220,000 (2020: HK\$1,495,051,000), investment properties with an aggregate carrying amount of HK\$344,100,000 (2020: HK\$361,860,000), assets held for sale with a carrying amount of HK\$nil (2020: HK\$41,964,000), financial assets at fair value through profit or loss of HK\$172,929,000 (2020: HK\$202,336,000) and deposits of HK\$64,792,000 (2020: HK\$46,339,000) placed with banks were pledged together with the assignment of nineteen (2020: twenty) subsidiaries' income and assignment of two (2020: two) subsidiaries' loan receivables of HK\$36,407,000 (2020: HK\$228,992,000) to secure credit facilities utilized by the Group. In addition, shares of ten (2020: ten) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

Capital expenditures and commitments. During the year, capital expenditure on additions of motor vessels and capitalized drydocking costs was HK\$633,604,000 (2020: HK\$69,287,000) and on other property, plant and equipment was HK\$506,000 (2020: HK\$98,000).

On 20 April 2018, an approximately 55.69% indirectly owned subsidiary of the Company (the "Co-Investor") entered into the co-investment documents to co-invest in a property project in Tower A of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC (the "Tower A" or previously named as "T3 Property"), pursuant to which the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss Limited ("Dual Bliss") of US\$10,000,000 (approximately HK\$78,000,000). Dual Bliss is one of the investors of the co-investment in Tower A. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$372,000, approximately HK\$2,905,000 (2020: US\$372,000, approximately HK\$2,905,000).

On 22 December 2021, the Group entered into two agreements in respect of the acquisition of two Supramaxes each at a consideration of US\$17,250,000, approximately HK\$134,550,000 and the total consideration of the two vessels is US\$34,500,000, approximately HK\$269,100,000. The first vessel is deadweight 56,361 metric tons and the second vessel is deadweight 56,469 metric tons. The first vessel was delivered to the Group in February 2022 and the second vessel will be delivered to the Group on or before 30 March 2022. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$34,500,000, approximately HK\$269,100,000 (2020: nil).

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for was US\$34,872,000, approximately HK\$272,005,000 (2020: US\$372,000, approximately HK\$2,905,000).

Save as disclosed above, there was no other significant capital expenditure commitments contracted by the Group but not provided for as at the reporting date.

Management Discussion and Analysis

SIGNIFICANT INVESTMENT AND ACQUISITION

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) have now been extended to also require companies to disclose the details of each significant investment that represents 5% or more of their total assets.

Acquisition and disposal of vessels

Given the remarkable rebound in dry bulk shipping market, the management considered acquiring additional vessels could allow the Group to generate more operating income and increase the returns of the Company in the future. During the year, the Group entered into agreements to acquire eight vessels and took delivery of six vessels.

On 2 March 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 53,806 metric tons at a purchase price of US\$7,275,000 (approximately HK\$56,745,000), which was delivered to the Group in March 2021.

On 27 April 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 52,525 metric tons at a purchase price of US\$9,300,000 (approximately HK\$72,540,000), which was delivered to the Group in June 2021.

On 20 May 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 52,686 metric tons at a purchase price of US\$10,813,000 (approximately HK\$84,341,000), which was delivered to the Group in August 2021.

On 9 July 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 55,866 metric tons at a purchase price of US\$15,180,000 (approximately HK\$118,404,000), which was delivered to the Group in October 2021.

On 20 August 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 58,729 metric tons at a purchase price of US\$17,000,000 (approximately HK\$132,600,000), which was delivered to the Group in November 2021.

On 5 October 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 53,350 metric tons at a purchase price of US\$15,750,000 (approximately HK\$122,850,000), which was delivered to the Group in November 2021.

On 22 December 2021, the Group entered into two agreements in respect of the acquisition of two Supramaxes each at a consideration of US\$17,250,000 (approximately HK\$134,550,000) and the total consideration of the two vessels is US\$34,500,000 (approximately HK\$269,100,000). The first vessel is deadweight 56,361 metric tons and the second vessel is deadweight 56,469 metric tons. The first vessel was delivered to the Group in February 2022 and the second vessel will be delivered to the Group on or before 30 March 2022. Total carrying capacity of the Group’s fleet will be increased to 1,525,348 metric tons after the completion of the acquisition of the above vessels.

Management Discussion and Analysis

SIGNIFICANT INVESTMENT AND ACQUISITION *(Continued)*

Acquisition and disposal of vessels *(Continued)*

Save as disclosed above, the Group did not carry out any material acquisition or disposal of vessels, nor did the Group carry out any material acquisition or disposal during the year 2021.

Significant investment

As at 31 December 2021, the Group had investments in equity and debt securities with fair value of HK\$343,981,000 and HK\$22,516,000 respectively. The principal activities of these companies include mainly banking groups that provide money lending and financial services; securities trading and investment; property development and investment; shipping and transportation, provision of value-added services and online advertising services to users in the PRC. As at 31 December 2021, the fair value of each of these equity securities and debt securities represented less than 5% of the total assets of the Group.

During the year 2021, the Group recognized realized trading gain of HK\$21,342,000 upon disposal of certain equity and debt securities, and unrealized loss from mark-to-market fair value adjustments of HK\$37,457,000 from its investment in equity and debt securities. The Group's financial risk exposures of such portfolio of financial instruments and risk management policies are disclosed in the "Financial Risk Management and Policies" in note 39 to the consolidated financial statements.

As at 31 December 2021, the Group's investment properties were stated at fair value of HK\$385 million and comprised of premises and car parks held under operating leases to earn rentals or held for capital appreciation, or both. These premises and car parks are held under long term leases and located in Hong Kong. As at 31 December 2021, the fair value of each of these investment properties represented less than 5% of the total assets of the Group.

During the year 2021, the Group recognized gross rental income from operating leases on all investment properties of HK\$6,591,000 and recognized loss on fair value of investment properties amounting to HK\$20,380,000 as at 31 December 2021. The Group's investment properties continue to generate steady and recurring stream of income for the Group and majority of these are office asset located in one of the most sought after central business district of Hong Kong. Particulars of the Group's investment properties as at 31 December 2021 is disclosed in Appendix to the annual report.

Save as disclosed above, the Group did not hold any significant investment or investment properties that accounted for more than 5% of the Group's total assets as at 31 December 2021.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

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

As at 31 December 2021, the Group had 64 (2020: 67) 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. Bonuses are also offered to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

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

WORKING ENVIRONMENT

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

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

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

Management Discussion and Analysis

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.

Given the remarkable rebound in dry bulk shipping market, the management considered acquiring additional vessels could allow the Group to generate more operating income and increase the returns of the Company in the future. During the year, the Group entered into agreements to acquire eight vessels and took delivery of six vessels.

On 2 March 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 53,806 metric tons at a purchase price of US\$7,275,000 (approximately HK\$56,745,000), which was delivered to the Group in March 2021.

On 27 April 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 52,525 metric tons at a purchase price of US\$9,300,000 (approximately HK\$72,540,000), which was delivered to the Group in June 2021.

On 20 May 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 52,686 metric tons at a purchase price of US\$10,813,000 (approximately HK\$84,341,000), which was delivered to the Group in August 2021.

On 9 July 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 55,866 metric tons at a purchase price of US\$15,180,000 (approximately HK\$118,404,000), which was delivered to the Group in October 2021.

On 20 August 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 58,729 metric tons at a purchase price of US\$17,000,000 (approximately HK\$132,600,000), which was delivered to the Group in November 2021.

On 5 October 2021, the Group entered into an agreement in respect of the acquisition of a Supramax of deadweight 53,350 metric tons at a purchase price of US\$15,750,000 (approximately HK\$122,850,000), which was delivered to the Group in November 2021.

Management Discussion and Analysis

RISK MANAGEMENT *(Continued)*

On 22 December 2021, the Group entered into two agreements in respect of the acquisition of two Supramaxes each at a consideration of US\$17,250,000 (approximately HK\$134,550,000) and the total consideration of the two vessels is US\$34,500,000 (approximately HK\$269,100,000). The first vessel is deadweight 56,361 metric tons and the second vessel is deadweight 56,469 metric tons. The first vessel was delivered to the Group in February 2022 and the second vessel will be delivered to the Group on or before 30 March 2022. Total carrying capacity of the Group's fleet will be increased to 1,525,348 metric tons after the completion of the acquisition of the above vessels.

The Group's loan receivables, which mainly arise from asset-based financing are denominated in United States Dollars and are secured by collaterals provided by the borrowers, bear interest and are repayable with fixed terms agreed with the borrowers. As at 31 December 2021, the Group's loan receivables arise from asset-based financing were approximately HK\$67.6 million (2020: HK\$260.2 million). The loans are collateralized and the value of the collateral ships were appraised by independent qualified appraisal firms. Taking into consideration of, amongst other things, (i) the stable and recurring interest income expected to be generated from asset-based financing to the Group and (ii) the value of the collateral ships, we consider the provision of loans represent a reasonable allocation of capital into income generating assets that is asset-light. We believe the additional source of income from asset-based financing would help mitigate cyclicity from core shipping business.

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 39 to the consolidated financial statements.

Management Discussion and Analysis

RISK MANAGEMENT *(Continued)*

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, loan receivables to third parties 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 arising from asset-based loan receivables are reference to the market values of the vessels which were appraised by independent qualified appraisal firms. By reference to the value of the collateral ships of approximately HK\$265 million without significant change in the quality, the management believes that loan receivables arise from asset-based financing of approximately HK\$67.6 million as at 31 December 2021 were concluded as low credit risk without any default events, modified credit risk or other factors lead to a significant increase in the credit risk. 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.

Management Discussion and Analysis

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, financial market conditions including fluctuations in marketable securities value, counterparty risk, changes in demand in the dry bulk market, changes in operating expenses including bunker prices, crewing costs, drydocking and insurance costs, availability of financing and refinancing, inability to obtain restructuring or rescheduling of indebtedness from lenders in liquidity trough, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents, piracy or political events, and other important factors described from time to time in the reports filed by the Company.

Management Discussion and Analysis

OUTLOOK

2021 has been a good year for dry bulk shipping, with robust freight rates driven by a general increase in demand for commodities worldwide, increase in logistics complexity due to procedures to battle the pandemic, as well as limited new supply in vessels.

As we entered 2022, there has been some corrections in the freight market in recent weeks, affected by multiples issues from seasonal trading patterns such as Chinese New Year holidays, decrease in industrial activity during Beijing Olympics, volatility in commodity prices, to continued disruptions in global supply chain which in turn affected industries from commodities all the way through to the export of manufactured goods. In addition, the sentiment has turned nervous with regards to the expected global economic outlook due to potential changes in monetary policies, and geo-political issues at multiple geographical locations of our planet. These issues will continue to linger around, and we expected 2022 to be another volatile year.

When we look at the industry fundamentals, the supply of new vessels remains low, the industry outlook continues to point towards a relatively strong freight market for our business operations. The latest Omicron COVID variant have spread across a number of geographical locations. Measures to combat against the spread of virus differ from country to country, and can be relaxed or reinforced with very little notice. Logistics of the transportation of goods and commodities will continue to be affected and disruptions are likely to continue in the foreseeable future.

With the expected global dry bulk fleet growth at historical lows, and with no consensus in the industry with regards to the next generation engine design to reduce carbon emission, new vessel orders are expected to be few. Looking ahead, this potentially highly favorable demand and supply dynamics is expected to continue, where our fleet is well positioned to benefit.

We remain alert to the increasingly frequent economic, geo-political, or other unforeseen surprises that can trigger volatility to our business performance, as well as the carrying value of our shipping assets and financial assets. We currently have no capital expenditure commitment in relation to newbuilding contracts, and will continue to focus on taking sensible and decisive actions to maintain a strong financial position.

Board of Directors and Senior Management

BOARD OF DIRECTORS

Mr. Ng Siu Fai, Chairman

Aged 65. A Director of the Company since 1991 and the chairman of Jinhui Shipping since 1994. As one of the two founders of the Group in 1987, Mr. Ng is responsible for strategic planning for the Group as well as overseeing all aspects of the Group's operations. Mr. Ng has extensive knowledge and working experience in the shipping industry as well as business management and China trade.

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

Mr. Ng Kam Wah Thomas, Managing Director

Aged 59. A Director of the Company since 1991 and the managing director of Jinhui Shipping since 1994. Mr. Ng is the other founder of the Group in 1987 and responsible for the Group's shipping activities. Mr. Ng has extensive knowledge and working experience in the shipping industry and business management. Mr. Ng holds a Bachelor's Degree in Arts from the University of Guelph in Canada and a Diploma in Management Studies, specializing in shipping, from the Plymouth Polytechnic in the United Kingdom.

Mr. Ng Ki Hung Frankie, Executive Director

Aged 68. A Director of the Company since 1991 and a director of Jinhui Shipping since 1994. Mr. Ng is responsible for the Group's investments and business management. Mr. Ng has extensive working experience in the shipping industry as well as business management and China trade. He was appointed as an independent non-executive director of Flat Glass Group Co., Ltd. (listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange) on 20 January 2015 and retired on 20 May 2021.

Ms. Ho Suk Lin, Executive Director

Aged 58. The Company Secretary of the Company since 1991, a Director of the Company since 1993 and a director and the company secretary of Jinhui Shipping since 1994. Ms. Ho is responsible for the Group's financial controls and secretarial matters. Ms. Ho has extensive working experience in finance and management. Prior to joining the Group in 1991, she worked in an international accounting firm. Ms. Ho is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. Cui Jianhua, Independent Non-executive Director

Aged 67. An Independent Non-executive Director of the Company since 1993. Mr. Cui has extensive experience gained from his management positions in various China related entities. He is currently the managing director of Hessway International Ltd. Mr. Cui holds a Master of Arts Degree from McMaster University, Canada.

Board of Directors and Senior Management

BOARD OF DIRECTORS *(Continued)*

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

Aged 64. An Independent Non-executive Director of the Company since 1994 and a non-executive director of Jinhui Shipping since 2006. Mr. Tsui has extensive experience in investment and banking industries and held senior management positions at various international financial institutions. Mr. Tsui is an independent non-executive director of Melco International Development Limited listed in Hong Kong. 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. William Yau, *Independent Non-executive Director*

Aged 54. An Independent Non-executive Director of the Company since 2004 and a non-executive director of Jinhui Shipping since 2006. Mr. Yau has extensive experience gained from his senior management positions in various industries. He is at present a director of American Phil Textiles Limited and Forum Restaurant (1977) Limited, and a supervisor of Fujian Shishi Rural Commercial Bank Co., Ltd. Mr. Yau graduated with a Bachelor Degree of Computer Systems Engineering from the Carleton University in Canada.

SENIOR MANAGEMENT

Mr. Ching Wei Man Raymond, *Vice President*

Aged 47. 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 69. Joined the Group in 1992 as Head of Management and Operation Department, responsible for the ship operation activities of the Group. Mr. Shum has over 30 years of working experience in the shipping industry. Before joining the Group, Mr. Shum was a marine superintendent for an international shipping company.

Directors' Report

The Directors present their report and the audited consolidated financial statements of Jinhui Holdings and its subsidiaries for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are ship chartering and ship owning and the particulars of the principal subsidiaries are set out in note 42 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing by the Group and an indication of likely future developments in the Group's business and the key performance indicators, can be found in "Management Discussion and Analysis" on pages 37 to 52 and "Highlights" on pages 7 to 10 of this Annual Report. This discussion forms part of this Directors' Report.

REGISTERED OFFICE

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

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, Companies Ordinance 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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 and the financial position of the Group as at 31 December 2021 are set out in the consolidated financial statements on pages 70 to 145.

The Board has recommended the payment of a final dividend of HK6 cents per share for the year ended 31 December 2021. As there is no interim dividend payable during the year, the proposed final dividend as mentioned above, if approved, will bring the total dividends for 2021 to HK6 cents per share.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company scheduled on Wednesday, 1 June 2022 and the final dividend warrant is expected to be despatched on Tuesday, 28 June 2022 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 10 June 2022.

Directors' Report

SHARE CAPITAL

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

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the "Consolidated Statement of Changes in Equity" on page 74 and note 41 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2021, calculated under Part 6 of the Companies Ordinance, amounted to HK\$348,292,000 (2020: HK342,053,000).

FIVE-YEAR FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment, and investment properties of the Group during the year are set out in note 18 and note 19 to the consolidated financial statements respectively.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2021 are set out in note 28 to the consolidated financial statements.

Directors' Report

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

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

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the top five largest customers in aggregate and the single largest customer of the Group accounted for approximately 94% and 40% respectively of the total revenue of the Group for the year.

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

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

CHARITABLE DONATIONS

During the year, the Group made charitable donations of HK\$68,000.

RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution provident fund scheme and a mandatory provident fund scheme for employees in Hong Kong. Particulars of these schemes are set out in note 4.21 to the consolidated financial statements.

Directors' Report

EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, the Group entered into an agreement with a third party on 8 March 2022 in respect of the disposal of a Supramax of deadweight 53,806 metric tons, built in year 2004, at a consideration of US\$13,900,000 (approximately HK\$108,420,000). The vessel will be delivered to the purchaser on or before 8 April 2022.

Save as disclosed above, there was no other significant events occurred after the reporting date and up to the date of this report.

DIRECTORS

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

Executive Directors

Mr. Ng Siu Fai, *Chairman*

Mr. Ng Kam Wah Thomas, *Managing Director*

Mr. Ng Ki Hung Frankie

Ms. Ho Suk Lin

Independent Non-executive Directors

Mr. Cui Jianhua

Mr. Tsui Che Yin Frank

Mr. William Yau

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

Directors' Report

DIRECTORS *(Continued)*

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

Brief biographical details of the Directors and senior management are set out in "Board of Directors and Senior Management" on pages 53 and 54.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions during the year are set out in note 37 to the consolidated financial statements.

Directors' Report

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

As at 31 December 2021, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its specified undertakings, and associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions

(i) Directors' interests in shares of the Company

Name	Number of shares in the Company held and capacity			Total	Percentage of total issued shares of the Company
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
Ng Siu Fai	24,260,000	15,140,000	205,325,568 <i>Note 1</i>	244,725,568	46.15%
Ng Kam Wah Thomas	5,909,000	–	136,883,712 <i>Note 2</i>	142,792,712	26.93%
Ng Ki Hung Frankie	3,000,000	–	–	3,000,000	0.57%
Ho Suk Lin	3,850,000	–	–	3,850,000	0.73%
Cui Jianhua	960,000	–	–	960,000	0.18%
Tsui Che Yin Frank	1,000,000	–	–	1,000,000	0.19%
William Yau	441,000	–	–	441,000	0.08%

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

Note 2: Mr. Ng Kam Wah Thomas is deemed to be interested in 136,883,712 shares of the Company through his wholly owned company, Timberfield Limited (as disclosed hereinafter).

Directors' Report

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

(ii) Directors' interests in associated corporation

Name	Number of shares in Jinhui Shipping held and capacity			Total	Percentage of total issued shares of Jinhui Shipping
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
Ng Siu Fai	4,141,830	1,079,196	61,249,098 <i>Note 1</i>	66,470,124	60.84%
Ng Kam Wah Thomas	864,900	–	260,000 <i>Note 2</i>	1,124,900	1.03%

Notes:

1. Mr. Ng Siu Fai is deemed to be interested in 61,249,098 shares of Jinhui Shipping through his interests in 51% of the issued capital of Fairline Consultants Limited as Fairline Consultants Limited was the beneficial owner of 407,858 shares of Jinhui Shipping and, through Fairline Consultants Limited's controlling interests in the Company, is also deemed to be interested in 60,841,240 shares of Jinhui Shipping held by the Company.
2. Mr. Ng Kam Wah Thomas is deemed to be interested in 260,000 shares of Jinhui Shipping through his wholly owned company, Timberfield Limited.

All the interests stated above represent long positions. No short positions were recorded in the register maintained by the Company under Section 352 of the SFO as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its specified undertakings, and associated corporations (within the meaning of Part XV of the SFO) which is required to be recorded and kept in the register in accordance with Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Report

EQUITY-LINKED AGREEMENTS

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

LOANS TO OFFICERS

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

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

As at 31 December 2021, in accordance with the register kept under Section 336 of the SFO, the following persons (other than Directors or chief executives of the Company) had interests representing 5% or more of the issued share capital of the Company:

Long positions

Name of shareholders	Number of shares in the Company held and capacity			Total	Percentage of total issued shares of the Company
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
Wong Yee Man Gloria	15,140,000	229,585,568 <i>Note 1</i>	–	244,725,568	46.15%
Ng Chi Lam Michael	–	–	205,325,568 <i>Note 2</i>	205,325,568	38.72%
Fairline Consultants Limited	205,325,568	–	–	205,325,568	38.72%
Timberfield Limited	136,883,712	–	–	136,883,712	25.81%
Bian Ximing	–	–	29,378,000 <i>Note 3</i>	29,378,000	5.54%
Zhongcai Merchants Investment Group Co., Ltd.	–	–	29,378,000 <i>Note 4</i>	29,378,000	5.54%
Zhongcai (Holdings) Limited	26,949,000	–	–	26,949,000	5.08%

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

Notes:

1. Ms. Wong Yee Man Gloria is deemed to be interested in 229,585,568 shares of the Company through the interests of her spouse, Mr. Ng Siu Fai (as disclosed hereinabove).
2. Mr. Ng Chi Lam Michael is deemed to be interested in 205,325,568 shares of the Company through his interests in 49% of the issued capital of Fairline Consultants Limited (as disclosed hereinabove).
3. Mr. Bian Ximing is deemed to be interested in 29,378,000 shares of the Company through his interests in 65.32% of the issued capital of Zhongcai Merchants Investment Group Co., Ltd. (as disclosed in Note 4 below).
4. Zhongcai Merchants Investment Group Co., Ltd. is deemed to be interested in 29,378,000 shares of the Company through its subsidiaries, Zhongcai (Holdings) Limited and Hong Kong Zhongcai Finance Investment Limited, which are the beneficial owners of 26,949,000 shares and 2,429,000 shares of the Company respectively.

Save as disclosed herein, as at 31 December 2021, the Company has not been notified of any person (other than Directors or chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

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

CORPORATE GOVERNANCE

Jinhui Holdings recognizes the importance of good corporate governance to the Company's value creation. The corporate governance report of 2021 was set out in "Corporate Governance Report" on pages 11 to 26, which covered the required report contents as set out in Appendix 14 of the Listing Rules with the description of our conformance throughout the year and provided explanation of the reasons for the deviations.

Directors' Report

ESG REPORT

The Board has the overall responsibility and accountability for ESG strategy and reporting. We follow the guidelines in the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules. The ESG report for the year 2021 was set out in "Environmental, Social and Governance Report" on pages 27 to 36, which covered the required report contents as set out in Appendix 27 of the Listing Rules with deviations explained on provisions that are not applicable to the Group's business operations and corporate-wide operations throughout the year ended 31 December 2021, or not included or reported in the ESG report.

AUDITOR

The consolidated financial statements for the years ended 31 December 2019, 2020 and 2021 had been audited by Grant Thornton Hong Kong Limited. An ordinary resolution for the re-appointment of Grant Thornton Hong Kong Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting, subject to shareholders' approval.

For and on behalf of the Board

Ng Kam Wah Thomas
Managing Director

Hong Kong, 15 March 2022

Independent Auditor's Report



Independent auditor's report

To the members of Jinhui Holdings Company Limited

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Jinhui Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 70 to 145, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Carrying value of owned vessels

The Key Audit Matters	How the matter was addressed in our audit
<p>Refer to notes 4.13, 5 and 18 to the consolidated financial statements.</p> <p>The Group's carrying amount of motor vessels and capitalised drydocking costs amounted to HK\$2,959,117,000 as at 31 December 2021 and reversal of impairment of HK\$1,042,129,000 was recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the year.</p> <p>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. Management has exercised judgement and considered that reversal of impairment indication of the Group's fleet existed.</p> <p>The recoverable amount of owned vessels was determined based on the value in use calculation which is estimated based on the estimated future cash flows projections from the continuous use of such vessels. An independent qualified appraisal firm was employed to appraise the value in use calculation as the calculation involves significant judgements and estimates about the future performance, key assumptions including discount rate, useful life, hire rates and utilisation rate of the owned vessels.</p> <p>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 identified the valuation of owned vessels as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">– evaluating the process of assessments of impairment indicators and indications of potential reversal of impairment of owned vessels adopted by the management;– evaluating the process of impairment assessments of owned vessels and value in use calculation methodology adopted by the management and approved by the Board;– testing the calculation for the impairment assessment performed by the management;– assessing the reasonableness of the key assumptions including discount rate, hire rates, useful life and utilisation rate by comparing the current year actual performance and prior year projections and by reference to the market and industry information;– involving our internal valuation specialists to assist us when considering the appropriateness of the discount rate and hire rates; and– assessing the adequacy of management's sensitivity analysis of value in use calculation. <p>We obtained supportive evidence for the significant judgements and estimates on the assessments of impairment indicators or reversal of impairment in respect of owned vessels and the value in use calculation and key assumptions applied in the estimated future cash flows projections.</p>

Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Companies Ordinances 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those 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

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

15 March 2022

Kwong Kam Wing Kelvin

Practising Certificate No.: P05373

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	7	1,022,335	367,523
Other operating income	8	100,636	54,040
Interest income	9	23,510	38,807
Reversal of impairment loss on owned vessels	10	1,042,129	–
Shipping related expenses		(339,493)	(269,044)
Staff costs	11	(107,117)	(96,456)
Other operating expenses	13	(76,782)	(82,212)
Operating profit before depreciation and amortization	14	1,665,218	12,658
Depreciation and amortization		(149,592)	(121,350)
Operating profit (loss)		1,515,626	(108,692)
Finance costs		(16,070)	(28,045)
Profit (Loss) before taxation		1,499,556	(136,737)
Taxation	15	(1,484)	(1,816)
Net profit (loss) for the year		1,498,072	(138,553)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through OCI (non-recycling)		14,695	13,294
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through OCI (recycling)		2,372	539
Total comprehensive income (loss) for the year		1,515,139	(124,720)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net profit (loss) for the year attributable to:			
Shareholders of the Company		826,895	(85,840)
Non-controlling interests		671,177	(52,713)
		1,498,072	(138,553)
Total comprehensive income (loss) for the year attributable to:			
Shareholders of the Company		837,064	(77,915)
Non-controlling interests		678,075	(46,805)
		1,515,139	(124,720)
Earnings (Loss) per share			
Basic and diluted	17	HK\$1.559	HK\$(0.162)

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	3,056,304	1,534,286
Investment properties	19	385,220	405,600
Financial assets at fair value through OCI	20	121,359	104,292
Loan receivables	23	28,841	219,418
Intangible assets	21	888	933
		3,592,612	2,264,529
Current assets			
Inventories	22	26,623	6,082
Loan receivables	23	43,200	40,774
Trade and other receivables	24	156,911	104,343
Financial assets at fair value through profit or loss	25	368,898	321,088
Pledged deposits	36	64,792	46,339
Bank balances and cash		269,175	284,407
		929,599	803,033
Assets held for sale	26	–	41,964
		929,599	844,997
Current liabilities			
Trade and other payables	27	180,048	143,852
Taxation payable		234	1,816
Secured bank loans	28	515,363	545,667
		695,645	691,335
Net current assets		233,954	153,662
Total assets less current liabilities		3,826,566	2,418,191
Non-current liabilities			
Secured bank loans	28	345,073	440,507
Net assets		3,481,493	1,977,684

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	29	381,639	381,639
Reserves	30	1,593,150	756,086
		1,974,789	1,137,725
Non-controlling interests		1,506,704	839,959
Total equity		3,481,493	1,977,684

Approved and authorized for issue by the Board of Directors on 15 March 2022

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to shareholders of the Company						Total equity HK\$'000
	Issued capital HK\$'000	Other asset revaluation reserve HK\$'000	Reserve for financial assets at fair value through OCI HK\$'000	Retained profits HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2020	381,639	3,806	8,455	821,740	1,215,640	886,764	2,102,404
Comprehensive loss							
Net loss for the year	-	-	-	(85,840)	(85,840)	(52,713)	(138,553)
Other comprehensive income							
Change in fair value of financial assets at fair value through OCI	-	-	7,925	-	7,925	5,908	13,833
Total comprehensive loss for the year	-	-	7,925	(85,840)	(77,915)	(46,805)	(124,720)
At 31 December 2020	381,639	3,806	16,380	735,900	1,137,725	839,959	1,977,684
At 1 January 2021	381,639	3,806	16,380	735,900	1,137,725	839,959	1,977,684
Comprehensive income							
Net profit for the year	-	-	-	826,895	826,895	671,177	1,498,072
Other comprehensive income							
Change in fair value of financial assets at fair value through OCI	-	-	10,169	-	10,169	6,898	17,067
Total comprehensive income for the year	-	-	10,169	826,895	837,064	678,075	1,515,139
Interim dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	(11,330)	(11,330)
At 31 December 2021	381,639	3,806	26,549	1,562,795	1,974,789	1,506,704	3,481,493

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
OPERATING ACTIVITIES			
Cash generated from operations	31	705,309	232,331
Interest paid		(16,386)	(29,470)
Hong Kong Profits Tax paid		(3,066)	–
Net cash from operating activities		685,857	202,861
INVESTING ACTIVITIES			
Interest received		26,650	42,778
Dividend income received		13,105	9,557
Purchase of property, plant and equipment		(634,110)	(69,385)
Proceeds from disposal of property, plant and equipment, net		6,823	–
Payment of unlisted equity investments		–	(16,559)
Proceeds from disposal of assets held for sale, net		41,964	–
Net cash used in investing activities		(545,568)	(33,609)
FINANCING ACTIVITIES			
New secured bank loans		97,939	149,079
Repayment of secured bank loans		(223,677)	(351,098)
(Increase) Decrease in pledged deposits		(18,453)	19,471
Dividends paid to non-controlling interests by subsidiaries		(11,330)	–
Net cash used in financing activities		(155,521)	(182,548)
Net decrease in cash and cash equivalents		(15,232)	(13,296)
Cash and cash equivalents at 1 January		284,407	297,703
Cash and cash equivalents at 31 December		269,175	284,407

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

1. GENERAL INFORMATION

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

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

The consolidated financial statements for the year ended 31 December 2021 were approved for issue by the Board on 15 March 2022.

2. STATEMENT OF COMPLIANCE

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

3. ADOPTION OF NEW OR AMENDED HKFRSs

In current year, the Group has applied for the first time, the following amendments and interpretations to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2021.

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the amended HKFRSs does not have material impact on the Group's financial performance and financial position for the current and prior periods have been prepared and presented.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
HKFRS 17	Insurance Contracts and related amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ⁵

Notes:

1. Effective for annual periods beginning on or after 1 April 2021
2. Effective for annual periods beginning on or after 1 January 2022
3. Effective for annual periods beginning on or after 1 January 2023
4. Effective date not yet determined
5. Effective for common control combinations that occur on or after the beginning of the first annual period beginning on or after 1 January 2022

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis modified by revaluation of a leasehold land and buildings and except for: investment properties, assets held for sale, 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.

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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.3 Subsidiaries

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

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

4.4 Non-controlling interests

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

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

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

4.5 Foreign currency translation

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.5 Foreign currency translation *(Continued)*

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 (i.e. only translated using the exchange rates at the transaction date).

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

4.6 Revenue recognition

Revenue 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.6 Revenue recognition *(Continued)*

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.

4.7 Borrowing costs

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

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

4.8 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognized in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other operating income" in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.9 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 2021

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

4.9 Income tax *(Continued)*

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary difference will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognized amounts; and
- (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.10 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.

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

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.10 Property, plant and equipment *(Continued)*

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

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

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. Estimate of residual value and useful life are reviewed and adjusted if appropriate, at each reporting date.

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

4.11 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.

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.

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.12 Intangible assets

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

Club entrance fee	36 years
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Amortization commences when the intangible assets are available for use. Those assets' amortization methods and useful lives are reviewed and adjusted if appropriate, at each reporting date.

4.13 Impairment of non-financial assets

Property, plant and equipment, intangible assets and the Company's interests 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 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 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.

4.15 Financial assets

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 the 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 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 2021

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

4.15 Financial assets *(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, loan receivables 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 2021

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

4.15 Financial assets *(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. Dividend income are included in the "other operating income" in profit or loss.

Impairment of financial assets

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, fair value through OCI 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.

In applying this forward-looking approach, a distinction is made between:

- Stage 1: financial instruments that have not deteriorated significantly in credit quality since their initial recognition or that have low credit risk.
- Stage 2: financial instruments that have deteriorated significantly in credit quality since their initial recognition and whose credit risk is not low.
- Stage 3: financial instruments that have objective evidence of impairment at the reporting date.

For Stage 1 category, loss allowance is recognized at the present value of expected credit losses that will result if a default occurs in the 12 months after the reporting date ("12-month ECL"). For Stage 2 and Stage 3 category, loss allowance is recognized at the present value of expected credit shortfalls over their remaining life ("lifetime ECL").

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.15 Financial assets *(Continued)*

Impairment of financial assets (Continued)

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 loan receivables secured by collaterals provided by borrowers, the Group measures the loss allowance for these financial assets equal to 12-month ECL with taking those collaterals into accounts (which is recognized at Stage 1), unless when there has been a significant increase in credit risk since initial recognition or classified as credit-impaired, the Group recognizes lifetime ECL (which is recognized at Stage 2). 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 or classified as credit-impaired. The loan receivables are reviewed at the reporting date to assess impairment allowance which are based on the evaluation of current creditworthiness, collection statistic and the market values of the vessels or similar vessels which were appraised by independent qualified appraisal firms.

For other financial assets measured at amortized cost and fair value through OCI, the Group measures the loss allowance for these financial assets equal to 12-month ECL (which is recognized at Stage 1), unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL (which is recognized at Stage 2). 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 2021

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

4.15 Financial assets *(Continued)*

Impairment of financial assets (Continued)

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 regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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 fulfill its contractual cash flow obligations.

The Group considers the default has occurred when: (1) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); (2) a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group writes off trade and other receivables in whole or in part, when it has exhausted all practical recovery efforts and concluded there is no reasonable expectation of recovery.

Detailed analysis of the ECL assessment of trade receivables, other financial assets measured at amortized cost and debt investments at fair value through OCI are set out in note 39(e).

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.16 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 consolidated statement of profit or loss and other comprehensive income up to the date of disposal.

4.17 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 2021

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

4.17 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.

4.18 Fair value measurement

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

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

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

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

4.19 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less. For the purpose of consolidated 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.20 Share capital

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

4.21 Employee 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.22 Leases

A lease is defined as a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

Assets leased out under operating leases (as a lessor)

Where the Group as a lessor 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.

Sale and leaseback transactions (as a buyer-lessor)

For a transfer of asset that satisfies the requirements as a sale in accordance with HKFRS 15, the Group as a buy-lessor accounts for the purchase of the asset applying applicable standards, and for lease applying the lessor accounting requirements in accordance with HKFRS 16.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.23 Provisions and contingent liabilities

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

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

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

4.24 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

4.24 Related parties *(Continued)*

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

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

4.25 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

The Group has regarded the business of ship chartering and ship owning as the only dominant reportable operating segment to be reported to the chief operating decision maker. Thus, no analysis of segment revenue, segment results, segment assets and segment liabilities are presented in the consolidated financial statements for the years 2021 and 2020.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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.

Reversal of Impairment loss on owned vessels

Dry bulk shipping market had strengthened remarkably in 2021 reflected in the upsurge of market freight rates and significant increase in the market value of dry bulk vessels, the Group reviewed the dry bulk shipping market environment, the overall macro environment and the market value of dry bulk vessels at the reporting dates. The management considered that the reversal of impairment indication of the Group's fleet existed at both reporting dates and performed reversal of impairment loss review on both 30 June 2021 and 31 December 2021.

With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels, the Group's owned vessels' recoverable amounts which were determined based on the higher of the fair value less costs of disposal and value in use and were significantly higher than their respective carrying amounts at both reporting dates on 30 June 2021 and 31 December 2021. Accordingly, a reversal of impairment loss of HK\$511,068,000 on owned vessels classified in property, plant and equipment was recognized at 30 June 2021 and a further reversal of impairment loss of HK\$531,061,000 on owned vessels was recognized at 31 December 2021 to reflect our change in the expectation on the long term global economic and the dry bulk shipping industry outlook which affect the assumptions applied in estimation of the value in use of our owned vessels. The total reversal of impairment loss on owned vessels recognized in 2021 was HK\$1,042,129,000. The reversal of impairment loss on owned vessels is non-cash in nature and does not have impact on the operating cash flows of the Group. As at 31 December 2021, the carrying amount of the owned vessels was HK\$2,959,117,000 (2020: HK\$1,422,932,000).

Key assumptions applied in value in use calculation in reversal impairment assessment of owned vessels

The recoverable amounts of owned vessels have been determined based on the higher of the fair value less costs of disposal and value in use. The value in use of owned vessels is estimated based on estimated future cash flows projections from the continuous use of such vessels. Key assumptions applied in value in use calculation mainly included discount rate and hire rates earned by each vessel as the value in use is most sensitive to the changes in these two factors. Other assumptions included utilization rate which is assumed to be 95% in all subsequent years; and vessels are expected to have useful life of 25 years from the date of the initial delivery from the shipyards. The net cash flow also reflected the estimated drydocking and special surveys costs and vessels operating expenses.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Reversal of Impairment loss on owned vessels *(Continued)*

Key assumptions applied in value in use calculation in reversal impairment assessment of owned vessels (Continued)

The hire rates applied in the reversal of impairment test on owned vessels were based on management's best estimation, taking into consideration of historical performances, market research data and market expectation. The hire rates would have a 2% growth for the first five-year period and cash flows beyond the five-year period are extrapolated using the zero growth rate. The discount rate applied to the value in use calculation on owned vessels was 8.5%, which was a pre-tax rate that reflected current market assessments of time value of money and the risks specific to the assets.

Sensitivity of value in use calculation in reversal of impairment assessment of owned vessels

With all other variables remaining constant, it was estimated that a decrease of 5% in hire rates applied in the reversal of impairment test at the reporting date, the reversal of impairment loss on owned vessels recognized and net profit for the year would decrease by approximately HK\$138,115,000 and the carrying amount of the Group's owned vessels would decrease by 4.77%.

With all other variables remaining constant, it was estimated that an increase of 50 basis points in discount rate applied in the reversal of impairment test at the reporting date, the reversal of impairment loss on owned vessels recognized and net profit for the year would decrease by approximately HK\$53,906,000 and the carrying amount of the Group's owned vessels would decrease by 1.86%.

Valuation of investment properties

As at 31 December 2021, the Group's investment properties were stated at fair value of HK\$385,220,000 (2020: HK\$405,600,000). As disclosed in note 19, change in fair value loss of investment properties of HK\$20,380,000 (2020: HK\$12,500,000) was recognized in profit or loss during the year. The fair values of the Group's investment properties were determined by an independent qualified professional valuer. The valuations are dependent on certain significant unobservable inputs, including market unit sale rate per square feet / carpark which are determined based on comparable transactions after applying adjusting factors such as the age, location, size, view, floor level and quality of buildings and carparks to reflect the conditions and locations of the subject properties. Details of the valuation methodologies and significant unobservable inputs used in the valuations are disclosed in note 19.

Fair values of financial assets at fair value through OCI

Fair values of financial assets at fair value through OCI that are not traded in an active market is determined by using valuation techniques. The Group determines the fair values primarily based on the recent transaction prices, net asset value (representing the fair value of the equity instruments reported by investment manager of the investees) and take into account of its financial results and other factors. The fair values of financial assets at fair value through OCI that are not traded in active market are determined by using valuation techniques as disclosed in note 20.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Impairment of trade receivables and other financial assets

As at 31 December 2021, the carrying amount of the trade receivables (note 24) was HK\$17,123,000 (2020: HK\$4,126,000). 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 or fair value through OCI (note 39(a)), 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 for other financial assets 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.

For loan receivables (note 23) which arise from asset-based financing and secured by collaterals provided by borrowers, the Group measures the loss allowance for these financial assets equal to 12-month ECL with taking those collaterals into accounts unless when there has been a significant increase in credit risk since initial recognition or classified as credit impaired, 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 or classified as credit-impaired. The loan receivables are reviewed by the management at the reporting date to assess impairment allowance which are based on the evaluation of current creditworthiness, collection statistic and the market values of the vessels or similar vessels which were appraised by independent qualified appraisal firms.

6. SEGMENT INFORMATION

The Group is principally engaged in the business of ship chartering and ship owning and the management has regarded this business as the only dominant reportable operating segment to be reported to the chief operating decision maker. Thus, no analysis of segment revenue, segment results, segment assets and segment liabilities are presented in the consolidated financial statements for the years 2021 and 2020.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

6. SEGMENT INFORMATION (Continued)

While the Group's revenue was mainly attributable to its chartering operations which are carried out internationally and cannot be attributable to any particular geographical location, analysis of revenue from chartering freight and hire business by geographical split of revenue by charterers' location is presented in note 7.

The Group's non-current assets mainly consist of property, plant and equipment and investment properties. 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. The Group's investment properties comprised of premises and car parks and all are located in Hong Kong. While majority of the Group's non-current assets other than financial instruments cannot be attributable to any particular geographical location, no analysis of non-current assets other than financial instruments 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 vessels. Revenue recognized during the year is as follows:

	2021 HK\$'000	2020 HK\$'000
Chartering freight and hire income:		
Hire income under time charters ¹	1,022,335	351,235
Freight income under voyage charters ²	–	16,288
	1,022,335	367,523

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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

7. REVENUE (Continued)

Information about major charterers

Revenue of HK\$413,629,000, HK\$315,218,000 and HK\$159,580,000 (2020: HK\$156,680,000, HK\$58,484,000 and HK\$57,994,000) were derived from three charterers that contributed 40%, 31% and 16% (2020: 43%, 16% and 16%) respectively to the Group's revenue for the year 2021.

Information about geographical distribution

Revenue from external customers (charterers) is as follows:

	2021 HK\$'000	2020 HK\$'000
<i>Geographical split of revenue by charterers' location:</i>		
Singapore	905,569	262,894
China	80,222	94,477
Ireland	20,826	9,138
South Korea	15,718	–
Thailand	–	1,014
	1,022,335	367,523

8. OTHER OPERATING INCOME

	2021 HK\$'000	2020 HK\$'000
Net gain on bunker arising from shipping operations	33,492	–
Other shipping operating income	27,665	20,772
Gross rental income from operating leases on investment properties	6,591	7,062
Dividend income	13,314	10,111
Net gain on disposal of property, plant and equipment	2,164	–
Reversal of impairment loss on trade and other receivables, net	13,933	10,535
Compensation income in relation to loan receivables	3,418	–
Settlement income in relation to repudiation claims	–	1,596
COVID-19 related government subsidies	–	3,761
Sundry income	59	203
	100,636	54,040

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

9. INTEREST INCOME

	2021	2020
	HK\$'000	HK\$'000
Interest income in respect of:		
Financial assets at fair value through profit or loss	8,765	10,180
Deposits with banks and other financial institutions	185	1,349
Loan receivables	14,560	27,278
	23,510	38,807

10. REVERSAL OF IMPAIRMENT LOSS ON OWNED VESSELS

Dry bulk shipping market had strengthened remarkably in 2021 reflected in the upsurge of market freight rates and significant increase in the market value of dry bulk vessels, the Group reviewed the dry bulk shipping market environment, the overall macro environment and the market value of dry bulk vessels at the reporting dates. The management considered that the reversal of impairment indication of the Group's fleet existed at both reporting dates and performed reversal of impairment loss review on both 30 June 2021 and 31 December 2021.

Accordingly, a reversal of impairment loss of HK\$511,068,000 on owned vessels classified in property, plant and equipment was recognized at 30 June 2021 and a further reversal of impairment loss of HK\$531,061,000 on owned vessels was recognized at 31 December 2021 to reflect our change in the expectation on the long term global economic and the dry bulk shipping industry outlook which affect the assumptions applied in estimation of the value in use of our owned vessels.

With due considerations of factors affecting the long term intrinsic values of owned dry bulk vessels, the Group's owned vessels' recoverable amounts which were determined based on the higher of the fair value less costs of disposal and value in use and were significantly higher than their respective carrying amounts at both reporting dates on 30 June 2021 and 31 December 2021. The value in use of owned vessels is estimated based on estimated future cash flows projections from the continuous use of such vessels. Key assumptions applied in value in use calculation mainly included discount rate and hire rates earned by each vessel as the value in use is most sensitive to the changes in these two factors. Other assumptions included utilization rate which is assumed to be 95% in all subsequent years; and vessels are expected to have useful life of 25 years from the date of the initial delivery from the shipyards. The net cash flow also reflected the estimated drydocking and special surveys costs and vessels operating expenses.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

10. REVERSAL OF IMPAIRMENT LOSS ON OWNED VESSELS *(Continued)*

The hire rates applied in the reversal of impairment test on owned vessels were based on management's best estimation, taking into consideration of historical performances, market research data and market expectation. The hire rates would have a 2% growth for the first five-year period and cash flows beyond the five-year period are extrapolated using the zero growth rate. The discount rate applied to the value in use calculation on owned vessels was 8.5%, which was a pre-tax rate that reflected current market assessments of time value of money and the risks specific to the assets.

The total reversal of impairment loss on owned vessels recognized in 2021 was HK\$1,042,129,000. The reversal of impairment loss on owned vessels is non-cash in nature and does not have impact on the operating cash flows of the Group.

11. STAFF COSTS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	102,205	91,543
Contributions to retirement benefits schemes	4,912	4,913
	<hr/>	
	107,117	96,456
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Notes to the Consolidated Financial Statements

Year ended 31 December 2021

12. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Emoluments of the Directors, including the chief executives ¹ of the Company for the years 2021 and 2020 are set out below:

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000
2021					
Executive Directors					
Ng Siu Fai ²	1,933	32,011	5,000	1,829	40,773
Ng Kam Wah Thomas ²	1,933	25,776	4,000	1,469	33,178
Ng Ki Hung Frankie ²	1,326	2,597	–	72	3,995
Ho Suk Lin ²	468	1,734	–	98	2,300
Independent Non-executive Directors					
Cui Jianhua	212	–	–	–	212
Tsui Che Yin Frank ²	441	–	–	–	441
William Yau ²	372	–	–	–	372
	6,685	62,118	9,000	3,468	81,271
2020					
Executive Directors					
Ng Siu Fai ²	1,933	32,018	–	1,829	35,780
Ng Kam Wah Thomas ²	1,933	25,776	–	1,469	29,178
Ng Ki Hung Frankie ²	1,326	2,600	–	72	3,998
Ho Suk Lin ²	468	1,643	–	98	2,209
Independent Non-executive Directors					
Cui Jianhua	212	–	–	–	212
Tsui Che Yin Frank ²	441	–	–	–	441
William Yau ²	372	–	–	–	372
	6,685	62,037	–	3,468	72,190

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

(a) Directors' emoluments (Continued)

Notes:

1. Chief executives of the Company are Mr. Ng Siu Fai and Mr. Ng Kam Wah Thomas, who are responsible under the immediate authority of the Board for the conduct of the Company.
2. Emoluments of the Directors were borne by the Company and its subsidiaries for their service as directors of the Company and its subsidiaries.

(b) Details of remuneration to senior management

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

	Number of individuals	
	2021	2020
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	1
	2	2

(c) The five highest paid individuals

The five highest paid individuals included four (2020: four) Directors whose details of emoluments are presented on page 105. Emoluments of the remaining one (2020: one) highest paid individual fall within the band from HK\$3,000,001 to HK\$3,500,000 (2020: from HK\$3,000,001 to HK\$3,500,000) and his aggregate emoluments were as follow:

	2021	2020
	HK\$'000	HK\$'000
Salaries and other benefits	3,369	3,240
Contributions to retirement benefits schemes	18	18
	3,387	3,258

13. OTHER OPERATING EXPENSES

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

13. OTHER OPERATING EXPENSES (Continued)

Other operating expenses for the year 2020 mainly included net loss on financial assets at fair value through profit or loss of approximately HK\$30.4 million, change in fair value of investment properties of approximately HK\$12.5 million, directors' fee of approximately HK\$6.7 million, professional fee of approximately HK\$6 million, impairment loss on assets held for sale (disposed vessel) of approximately HK\$2.1 million recognized upon reclassification to assets held for sale in December 2020, auditor's remuneration related to audit services of approximately HK\$1.6 million, bad debts written off in respect of trade receivables of approximately HK\$1.1 million and remaining are various office administrative expenses.

14. OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION

This is stated after charging / (crediting):

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration:		
Audit services	2,000	1,600
Other services	466	315
Rent and rates payments in respect of premises	1,329	1,381
Net loss on financial assets at fair value through profit or loss		
Realized gain on financial assets at fair value through profit or loss	(21,342)	(10,409)
Unrealized loss on financial assets at fair value through profit or loss	37,457	40,854
Interest income in respect of:		
Financial assets at fair value through profit or loss	(8,765)	(10,180)
Deposits with banks and other financial institutions	(185)	(1,349)
Loan receivables	(14,560)	(27,278)
Dividend income	(13,314)	(10,111)
Net gain on disposal of property, plant and equipment	(2,164)	–
Loss on write-off of property, plant and equipment	15	–
Change in fair value of investment properties	20,380	12,500
Reversal of impairment loss on owned vessels	(1,042,129)	–
Reversal of impairment loss on trade and other receivables, net	(13,933)	(10,535)
Net exchange loss (gain)	960	(98)
Gross rental income from operating leases on investment properties	(6,591)	(7,062)
Outgoings in respect of investment properties	580	320
Bad debts written off in respect of trade and other receivables	55	1,085
Impairment loss on assets held for sale	–	2,101

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

15. TAXATION

Taxation has been provided on the estimated assessable profits arising in Hong Kong from an approximately 55.69% indirectly owned subsidiary of the Company which is a qualifying corporation in accordance with the two-tiered profits tax rates regime in Hong Kong. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of the qualifying corporation are taxed at 8.25%, and the assessable profits above HK\$2,000,000 are taxed at 16.5%. Apart from the estimated assessable profits arising in Hong Kong from that subsidiary, in the opinion of the Directors, a substantial portion of the Group's income neither arose in nor was derived from Hong Kong and therefore was not subject to Hong Kong Profits Tax and the Group is not subject to taxation in any other jurisdictions in which the Group operates.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax		
Current year	1,494	1,816
Over provision in prior year	(10)	–
	1,484	1,816

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit (Loss) before taxation	1,499,556	(136,737)
Income tax at the applicable tax rates in the tax jurisdictions concerned	(21,288)	(19,895)
Non-deductible expenses	6,311	6,511
Tax exempted revenue	(5,212)	(3,273)
Unrecognized tax losses	22,191	18,792
Unrecognized temporary differences	(372)	(291)
Utilization of previously unrecognized tax losses	(136)	(28)
Over provision in prior year	(10)	–
Taxation charge for the year	1,484	1,816

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 2021

16. DIVIDEND

The final dividend of HK6 cents (2020: nil) per share in respect of the financial year ended 31 December 2021, amounting to approximately HK\$31,817,000 has been proposed by the Board and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company scheduled on Wednesday, 1 June 2022. The amount of the final dividend proposed, which was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements, has not been recognized as a liability in the consolidated financial statements.

17. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share were calculated on the net profit attributable to shareholders of the Company of HK\$826,895,000 for the year 2021 (2020: net loss of HK\$85,840,000) and the weighted average number of 530,289,480 (2020: 530,289,480) ordinary shares in issue during the year.

Diluted earnings (loss) per share for the years 2021 and 2020 were the same as basic earnings (loss) per share as there was no potentially dilutive ordinary shares in existence for the years 2021 and 2020.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

18. PROPERTY, PLANT AND EQUIPMENT

	Motor vessels ¹ and capitalized drydocking costs HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvement, utility vessels, furniture and equipment HK\$'000	Total HK\$'000
Cost or valuation				
At 1 January 2020	5,542,872	278,342	63,268	5,884,482
Reclassification to assets held for sale ²	(174,211)	–	–	(174,211)
Additions	69,287	–	98	69,385
Write-off	(30,501)	–	(41)	(30,542)
At 31 December 2020	5,407,447	278,342	63,325	5,749,114
Additions	633,604	–	506	634,110
Disposals / Write-off	(7,016)	(6,562)	(432)	(14,010)
At 31 December 2021	6,034,035	271,780	63,399	6,369,214
Accumulated depreciation and impairment loss				
At 1 January 2020	4,034,570	167,355	52,285	4,254,210
Reclassification to assets held for sale ²	(130,146)	–	–	(130,146)
Charge for the year	110,592	8,595	2,119	121,306
Write-off	(30,501)	–	(41)	(30,542)
At 31 December 2020	3,984,515	175,950	54,363	4,214,828
Reversal of impairment loss ³	(1,042,129)	–	–	(1,042,129)
Charge for the year	139,548	8,448	1,551	149,547
Eliminated on disposals / write-off	(7,016)	(1,903)	(417)	(9,336)
At 31 December 2021	3,074,918	182,495	55,497	3,312,910
Net book value				
At 31 December 2021	2,959,117	89,285	7,902	3,056,304
At 31 December 2020	1,422,932	102,392	8,962	1,534,286

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Motor vessels and capitalized drydocking costs HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvement, utility vessels, furniture and equipment HK\$'000	Total HK\$'000
2021				
At cost	6,034,035	218,780	63,399	6,316,214
At professional valuation in 1994	–	53,000	–	53,000
	6,034,035	271,780	63,399	6,369,214
2020				
At cost	5,407,447	225,342	63,325	5,696,114
At professional valuation in 1994	–	53,000	–	53,000
	5,407,447	278,342	63,325	5,749,114

Had the Group's leasehold land and buildings been carried at cost less accumulated depreciation and impairment loss, the carrying amount would have been HK\$84,910,000 (2020: HK\$96,852,000) at the reporting date.

Notes:

- All motor vessels are held for use under operating leases.
- Reclassification to assets held for sale:
The Group entered into an agreement on 15 December 2020 for the disposal of a Supramax of deadweight 50,777 metric tons at a consideration of US\$5,500,000 (approximately HK\$42,900,000) which was subsequently delivered to the purchaser in January 2021. For financial reporting purposes, the disposed vessel was reclassified to "Assets held for sale" in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with an impairment loss on assets held for sale (disposed vessel) of HK\$2,101,000 was recognized in 2020 upon reclassification to assets held for sale and such impairment loss was included in other operating expenses in 2020.
- Reversal of impairment loss:
The reversal of impairment loss on owned vessels recognized in 2021 was HK\$1,042,129,000. Details of the events that led to the recognition of the reversal of impairment loss, reversal of impairment indicators, key assumptions applied in the value in use calculation, recoverable amounts of impaired assets and the sensitivity analysis are provided in note 5 and note 10.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

19. INVESTMENT PROPERTIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	405,600	418,100
Change in fair value	(20,380)	(12,500)
At 31 December	385,220	405,600

The Group's investment properties were stated at fair value and comprised of premises and car parks held under operating leases to earn rentals or held for capital appreciation, or both. These premises and car parks are held under long term leases and located in Hong Kong. The Group had a number of investment properties and, in the opinion of directors, no individual investment property would be material as value of each individual investment property did not exceed 5% of the Group's total assets as at 31 December 2021.

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

19. INVESTMENT PROPERTIES (Continued)

Particulars of the Group's investment properties as at 31 December 2021 is disclosed in Appendix to the annual report 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
				2021	2020	
Premises	Level 3	Direct comparison method	Market unit sale rate per square feet, after taking into account the age, location and individual factors such as size, view, floor level and quality of building	HK\$17,000 – HK\$27,000 per square feet	HK\$17,000 – HK\$33,000 per square feet	An increase in percentage of market unit sale rate per square feet would result in an increase in fair value measurement of the premises by the same percentage increase, and vice versa
Car parks	Level 3	Direct comparison method	Market unit sale rate per car park	HK\$3,900,000 – HK\$4,000,000 per car park	HK\$2,520,000 – HK\$3,350,000 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 2021

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unlisted equity investments		
Co-investment in a property project		
At 1 January	80,909	51,056
Additions	–	16,559
Addition of investment under Special Capital Call ³	–	33,360
Disposal of investment under share repurchase scheme ⁴	–	(33,360)
Change in fair value ¹	14,695	13,294
	95,604	80,909
Unlisted club debentures		
At 1 January	20,500	20,000
Change in fair value ²	1,500	500
	22,000	20,500
Unlisted club membership		
At 1 January	2,883	2,844
Change in fair value ²	872	39
	3,755	2,883
	121,359	104,292

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (Continued)

Notes:

1. Items that will not be reclassified to profit or loss.
2. Items that may be reclassified subsequently to profit or loss.
3. In early February 2020, an approximately 55.69% indirectly owned subsidiary of the Company (the "Co-Investor") provided additional US\$4,276,915, approximately HK\$33,360,000 as co-investment supplemental capital call pursuant to a supplemental memorandum (the "Memorandum") signed on 31 January 2020 for acquiring 4,276,915 issued non-voting participating class A shares of Dual Bliss Limited (the "Co-Investment Supplemental Capital Call"). This Co-Investment Supplemental Capital Call was required for all shareholders of Dual Bliss Limited ("Dual Bliss") and all other investors of the co-investment in Tower A of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC (the "Tower A" or previously named as "T3 Property") on a pro rata basis for the purpose of temporarily funding the unwinding of intercompany loan receivable / payable of the wholly-owned foreign-owned subsidiaries and onshore subsidiaries within the existing structure of the co-investment vehicle by the special funding (the "Special Fund") from this Co-Investment Supplemental Capital Call in order to obtain banking facilities under PRC regulations for the co-investment. The unwinding exercise was a condition precedent for the bank loan drawdown.

Subject to all applicable PRC governmental and regulatory approvals, the wholly-owned foreign-owned subsidiaries and onshore subsidiaries within the existing structure of the co-investment vehicle used the Special Fund to unwind the intercompany loan receivable / payable and upon the fulfilment of the condition precedent for successful drawdown of the bank loan facilities, the Special Fund had remitted back to respective shareholders in proportion to the shareholdings under the share repurchase scheme mechanism under the Memorandum.

4. In March 2020, the Co-Investor received a total of US\$4,276,915, approximately HK\$33,360,000 under the share repurchase scheme and those 4,276,915 issued non-voting participating class A shares of Dual Bliss under the Co-Investment Supplemental Capital Call had been repurchased and cancelled.
5. In March 2021, the Co-Investor together with other co-investors signed an unsecured subordinated shareholder loan agreement with Triple Smart Limited, a special purpose vehicle invested by Dual Bliss, for the purposes of funding the operating expenditure of Tower A and the Co-Investor agreed to provide a maximum amount of advance up to US\$1,577,000 (approximately HK\$12,300,000). As of 31 December 2021, advance of US\$568,000 (approximately HK\$4,434,000) was drawdown and the amount was included in loan receivables.

Pursuant to the co-investment documents, the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss of US\$10,000,000 (approximately HK\$78,000,000). Dual Bliss is one of the investors of the co-investment in Tower A. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$372,000, approximately HK\$2,905,000 (2020: US\$372,000, approximately HK\$2,905,000).

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (Continued)

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

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

21. INTANGIBLE ASSETS

	2021 HK\$'000	2020 HK\$'000
Club entrance fee		
Cost		
At 1 January and 31 December	1,599	1,599
Accumulated amortization		
At 1 January	666	622
Charge for the year	45	44
At 31 December	711	666
Net book value		
At 31 December	888	933

22. INVENTORIES

Inventories consisted of bunker stock and 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 2021

23. LOAN RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
At 1 January	260,192	350,500
Gross new loan originated	4,434	–
Repayment	(192,585)	(90,308)
Provision of individual impairment	–	–
Loan receivables, net of provision	72,041	260,192
Less: Amount receivable within one year	(43,200)	(40,774)
Amount receivable after one year	28,841	219,418

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

	2021 HK\$'000	2020 HK\$'000
Within one year	43,200	40,774
In the second year	5,191	63,903
In the third to fifth year	23,650	155,515
	72,041	260,192

As at 31 December 2021, the Group's loan receivables of HK\$67,607,000 (2020: HK\$260,192,000) which arise from asset-based financing, are denominated in United States Dollars and are secured by collaterals provided by the borrowers, and are repayable with fixed terms agreed with the borrowers; and loan receivables of HK\$4,434,000 (2020: nil) which arise from co-investment (as mentioned in note 20), are unsecured and denominated in United States Dollars and has no fixed repayment terms. During the year, certain borrowers chose to early repay respective loans and such repayments led to a decrease in loan receivables as at the reporting date. The directors consider that the credit risk arising from asset-based loan receivables is significantly mitigated by the vessels held as collateral, with reference to the market values of the vessels which were appraised by independent qualified appraisal firms.

At the reporting date, these receivables have been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness and the collection statistics, and are not considered as impaired. The carrying amount of these loan receivables are considered to be a reasonable approximation of their fair values.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

24. TRADE AND OTHER RECEIVABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	17,123	4,126
Prepayments	33,303	9,953
Rental and other deposits	697	758
Other receivables	105,788	89,506
	139,788	100,217
	156,911	104,343

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

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

The carrying amounts of trade and other receivables are considered to be a reasonable approximation of their fair values due to their short term maturities.

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	17,123	3,708
Over 3 months but within 6 months	–	363
Over 6 months but within 12 months	–	55
	17,123	4,126

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

24. TRADE AND OTHER RECEIVABLES (Continued)

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

	2021 HK\$'000	2020 HK\$'000
At 1 January	72,219	83,710
Impairment loss recognized	55	2,567
Reversal of impairment loss	(13,988)	(13,102)
Written off as uncollectible	(656)	(956)
At 31 December	57,630	72,219

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 receivables of HK\$57,630,000 (2020: HK\$72,219,000) as impaired. No impairment loss on other receivables was provided as at 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Held for trading</i>		
Equity securities		
Listed in Hong Kong	254,697	150,704
Listed outside Hong Kong	89,284	123,650
	343,981	274,354
Debt securities		
Listed in Hong Kong	15,206	18,481
Listed outside Hong Kong	7,310	26,299
	22,516	44,780
<i>Designated as such upon initial recognition</i>		
Investment funds	2,401	1,954
	368,898	321,088

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 investment funds 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 HKFRS 13. There was no transfer among the three levels of the fair value hierarchy during the year.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

26. ASSETS HELD FOR SALE

On 15 December 2020, the Group entered into an agreement for the disposal of a Supramax of deadweight 50,777 metric tons at a consideration of US\$5,500,000 (approximately HK\$42,900,000) which was subsequently delivered to the purchaser in January 2021. For financial reporting purposes, the disposed vessel was reclassified to "Assets held for sale" in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", with an impairment loss on assets held for sale (disposed vessel) of HK\$2,101,000 was recognized in 2020 upon reclassification to assets held for sale and such impairment loss was included in other operating expenses in 2020.

27. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	1,212	1,810
Accrued charges	9,408	7,778
Other payables		
Payables related to vessel running cost and ship operating expenses	143,761	123,908
Hire receipt in advance	10,561	5,293
Loan interest payables	1,034	1,350
Accrued employee benefits	12,092	1,851
Others	1,980	1,862
	169,428	134,264
	180,048	143,852

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 2021

27. TRADE AND OTHER PAYABLES (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Within 3 months	289	601
Over 6 months but within 12 months	–	164
Over 12 months	923	1,045
	1,212	1,810

28. SECURED BANK LOANS

	2021 HK\$'000	2020 HK\$'000
Vessel mortgage loans	358,112	423,969
Other bank loans	502,324	562,205
	860,436	986,174

The maturity of secured bank loans is as follows:

Within one year	515,363	545,667
In the second year	167,973	114,543
In the third to fifth year	177,100	325,964
Total secured bank loans	860,436	986,174
Less: Amount repayable within one year	(515,363)	(545,667)
Amount repayable after one year	345,073	440,507

During the year, the Group had drawn new secured bank loan of HK\$97,939,000 (2020: HK\$149,079,000) and repaid HK\$223,677,000 (2020: HK\$351,098,000).

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

28. SECURED BANK LOANS (Continued)

Vessel mortgage loans were denominated in United States Dollars. Other bank loans which included revolving loans, term loans and property mortgage loans were denominated in Hong Kong Dollars and United States Dollars. At the reporting date, all secured bank loans were committed on floating rate basis ranging from 0.84% to 2.20% (2020: 0.90% to 2.18%) per annum. These loans are secured by certain of the Group's assets as disclosed in note 36.

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

29. SHARE CAPITAL

The Company's share capital is as follows:

	2021		2020	
	Number of ordinary shares	Amount HK\$'000	Number of ordinary shares	Amount HK\$'000
Issued and fully paid:				
At 1 January and 31 December	530,289,480	381,639	530,289,480	381,639

30. RESERVES

Details of movements in reserves of the Group are set out in the "Consolidated Statement of Changes in Equity" on page 74.

Other asset revaluation reserve

Other asset revaluation reserve represents the revaluation surplus between the carrying amounts of the leasehold land and buildings which are owner-occupied and the fair values of those properties at the date of reclassification to investment properties.

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 2021, the reserve for financial assets at fair value through OCI consists of recycling and non-recycling portion amounting to income of HK\$15,211,000 (2020: HK\$13,226,000) and income of HK\$11,338,000 (2020: HK\$3,154,000) respectively.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (Loss) before taxation	1,499,556	(136,737)
Adjustments for:		
Depreciation and amortization	149,592	121,350
Interest income	(23,510)	(38,807)
Interest expenses	16,070	28,045
Dividend income	(13,314)	(10,111)
Net gain on disposal of property, plant and equipment	(2,164)	–
Loss on write-off of property, plant and equipment	15	–
Change in fair value of investment properties	20,380	12,500
Reversal of impairment loss on owned vessels	(1,042,129)	–
Reversal of impairment loss on trade and other receivables, net	(13,933)	(10,535)
Bad debts written off in respect of trade and other receivables	55	1,085
Impairment loss on assets held for sale	–	2,101
Cash generated from (used in) operations before changes in working capital	590,618	(31,109)
<i>Changes in working capital:</i>		
Inventories	(20,541)	6,498
Loan receivables	188,151	90,308
Trade and other receivables	(41,830)	(14,823)
Financial assets at fair value through profit or loss	(47,601)	190,071
Trade and other payables	36,512	(8,614)
Changes in working capital	114,691	263,440
Cash generated from operations	705,309	232,331

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Vessel mortgage loans HK\$'000	Other secured bank loans HK\$'000	Total secured bank loans HK\$'000
At 1 January 2020	488,497	699,696	1,188,193
Cash flows:			
Drawdown of loans	–	149,079	149,079
Repayment of loans	(64,528)	(286,570)	(351,098)
At 31 December 2020	423,969	562,205	986,174
At 1 January 2021	423,969	562,205	986,174
Cash flows:			
Drawdown of loans	–	97,939	97,939
Repayment of loans	(65,856)	(157,821)	(223,677)
At 31 December 2021	358,113	502,323	860,436

33. DEFERRED TAXATION

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

	2021 HK\$'000	2020 HK\$'000
Deductible temporary differences	2,489	2,807
Tax losses	2,699,081	2,565,417
	2,701,570	2,568,224

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 2021

34. FUTURE OPERATING LEASE ARRANGEMENTS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year:		
Premises	380	252
Owned vessels	–	255
	380	507
In the second to fifth year:		
Premises	–	68
	380	575

35. CAPITAL EXPENDITURE COMMITMENTS

During the year, capital expenditure on additions of motor vessels and capitalized drydocking costs was HK\$633,604,000 (2020: HK\$69,287,000) and on other property, plant and equipment was HK\$506,000 (2020: HK\$98,000).

Pursuant to the co-investment documents, the Co-Investor committed to acquire non-voting participating class A shares of Dual Bliss of US\$10,000,000 (approximately HK\$78,000,000). Dual Bliss is one of the investors of the co-investment in Tower A. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$372,000, approximately HK\$2,905,000 (2020: US\$372,000, approximately HK\$2,905,000).

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

35. CAPITAL EXPENDITURE COMMITMENTS *(Continued)*

On 22 December 2021, the Group entered into two agreements in respect of the acquisition of two Supramaxes each at a consideration of US\$17,250,000, approximately HK\$134,550,000 and the total consideration of the two vessels is US\$34,500,000, approximately HK\$269,100,000. The first vessel is deadweight 56,361 metric tons and the second vessel is deadweight 56,469 metric tons. The first vessel was delivered to the Group in February 2022 and the second vessel will be delivered to the Group on or before 30 March 2022. As at the reporting date, the capital expenditure commitments contracted by the Group but not provided for was US\$34,500,000, approximately HK\$269,100,000 (2020: nil).

As at the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for was US\$34,872,000, approximately HK\$272,005,000 (2020: US\$372,000, approximately HK\$2,905,000).

Save as disclosed above, there was no other significant capital expenditure commitments contracted by the Group but not provided for as at the reporting date.

36. 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 18) with an aggregate net book value of HK\$2,424,220,000 (2020: HK\$1,495,051,000) and investment properties (note 19) with an aggregate carrying amount of HK\$344,100,000 (2020: HK\$361,860,000);
- (b) Assets held for sale with a carrying amount of HK\$nil (2020: HK\$41,964,000);
- (c) Financial assets at fair value through profit or loss of HK\$172,929,000 (2020: HK\$202,336,000);
- (d) Deposits totaling HK\$64,792,000 (2020: HK\$46,339,000) of the Group placed with banks;
- (e) Assignment of nineteen (2020: twenty) subsidiaries' income in favour of banks; and
- (f) Assignment of two (2020: two) subsidiaries' loan receivables of HK\$36,407,000 (2020: HK\$228,992,000) in favour of bank.

In addition, shares of ten (2020: ten) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

37. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Salaries and other benefits	75,626	66,364
Contributions to retirement benefits schemes	3,543	3,543
	79,169	69,907

Other payables included accrued employee benefits payables to directors and senior management of HK\$9,381,000 (2020: HK\$200,000). There is no other balance or transaction related to connected party or any director and senior management and substantial shareholder of the Group that had not been disclosed under the requirement of Chapter 14 and 14A of the Listing Rules and HKAS 24 (Revised) "Related Party Disclosures".

38. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, the Group entered into an agreement with a third party on 8 March 2022 in respect of the disposal of a Supramax of deadweight 53,806 metric tons, built in year 2004, at a consideration of US\$13,900,000 (approximately HK\$108,420,000). The vessel will be delivered to the purchaser on or before 8 April 2022.

39. 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

39. FINANCIAL RISK MANAGEMENT AND POLICIES (Continued)

(a) Categories of financial instruments

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

	2021 HK\$'000	2020 HK\$'000
Financial assets		
<i>Financial assets at fair value through OCI</i>		
Unlisted equity investments	95,604	80,909
Unlisted club debentures	22,000	20,500
Unlisted club membership	3,755	2,883
	121,359	104,292
<i>Financial assets at fair value through profit or loss</i>		
Equity securities	343,981	274,354
Debt securities	22,516	44,780
Investment funds	2,401	1,954
	368,898	321,088
<i>Financial assets at amortized cost</i>		
Trade and other receivables	123,588	94,370
Loan receivables	72,041	260,192
Pledged deposits	64,792	46,339
Bank balances and cash	269,175	284,407
	529,596	685,308
	1,019,853	1,110,688
Financial liabilities		
<i>Financial liabilities at amortized cost</i>		
Trade and other payables	168,959	136,706
Secured bank loans	860,436	986,174
	1,029,395	1,122,880

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

39. 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 and loan receivables.

The Group manages interest rate risk by monitoring its interest rate profile as set out in note 28.

Sensitivity analysis*

Based on the exposures to bank borrowings of HK\$860,436,000 (2020: HK\$986,174,000) at the reporting date, it was estimated that an increase of 75 (2020: 25) basis points in interest rate, with all other variables remaining constant, the Group's net profit would decrease by approximately HK\$6,453,000 (2020: net loss would increase by approximately HK\$2,465,000).

The sensitivity analysis above has been determined as if the change in interest rate had occurred at the reporting date. The basis of 75 (2020: 25) points increase is considered to be reasonably possible change based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next reporting date.

(c) Foreign currency risk

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

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

At the reporting date, the Group was exposed to foreign currency risk primarily through holding certain bank deposits and investment in equity securities mainly denominated in Singapore Dollars amounting to SGD13,994,000 and SGD15,084,000, approximately HK\$80,712,000 and HK\$87,005,000 respectively (2020: certain bank deposits and investment in equity securities mainly denominated in Singapore Dollars amounting to SGD3,433,000 and SGD21,102,000, approximately HK\$20,115,000 and HK\$123,650,000 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 2021

39. 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 SGD29,078,000, approximately HK\$167,717,000, (2020: bank deposits and equity securities mainly denominated in Singapore Dollars of SGD24,535,000, approximately HK\$143,765,000), it was estimated that a depreciation of 5% (2020: 5%) in exchange rate of Singapore Dollars against Hong Kong Dollars would result in a decrease to the Group's net profit by approximately HK\$8,386,000 (2020: an increase to the Group's net loss by approximately HK\$7,188,000) with all other variables remain constant. The sensitivity analysis had been determined based on the assumed exchange rate movement of Singapore Dollars (2020: Singapore Dollars) against Hong Kong Dollars taking place at the beginning of the year and held constant throughout the year.

(d) Price risk

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

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

The Group's portfolio of financial instruments that exposed to price risk at the reporting date is set out in note 25.

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% (2020: 10%), the Group's net profit would decrease by approximately HK\$34,398,000 (2020: net loss would increase by approximately HK\$27,435,000).

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% (2020: 10%), the Group's net profit would decrease by approximately HK\$2,252,000 (2020: net loss would increase by approximately HK\$4,478,000).

* *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 2021

39. 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 trade receivable from charterers in the ordinary course of its operations, loan receivables to third parties and deposits or other financial assets placed with financial institutions.

Management has a credit policy in place for approving the credit limits to charterers 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. During the year, impairment loss of HK\$55,000 (2020: HK\$2,567,000) was provided on the Group's outstanding trade receivables over one year past due and reversal of impairment loss on trade receivables of HK\$13,988,000 (2020: HK\$13,102,000) was recognized upon recovery of outstanding trade receivables in prior years, and HK\$656,000 (2020: HK\$956,000) was written off as uncollectible.

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.

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

39. FINANCIAL RISK MANAGEMENT AND POLICIES (Continued)

(e) Credit risk (Continued)

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

On the above basis, the ECL for trade receivables as at 31 December 2021 and 2020 was determined as follows:

	Current HK\$'000	Within 3 months past due HK\$'000	Over 3 months but within 6 months past due HK\$'000	Over 6 months but within 12 months past due HK\$'000	Over 12 months past due HK\$'000	Total HK\$'000
2021						
Trade receivables						
– gross carrying amount	2,015	15,108	–	–	57,630	74,753
Lifetime ECL	–	–	–	–	57,630	57,630
ECL rate	0%	0%	0%	0%	100%	
2020						
Trade receivables						
– gross carrying amount	1,106	2,602	363	55	72,219	76,345
Lifetime ECL	–	–	–	–	72,219	72,219
ECL rate	0%	0%	0%	0%	100%	

For other receivables and loan receivables arise from co-investment, the Group measures the loss allowance for those 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, no impairment loss on other receivables and loan receivables arise from co-investment was provided as at 31 December 2021 and 2020. The outstanding balance of those receivables of HK\$110,899,000 (2020: HK\$90,244,000) 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 those receivables.

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

(e) Credit risk *(Continued)*

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

For loan receivables arise from asset-based financing, it is recognized at the stage of the financial instruments that have not deteriorated in credit quality or not credit-impaired on initial recognition or that have low credit risk as those receivables are with collaterals to cover or limit any potential loss. The Group continuously monitors its credit risk and measures the loss allowance for these financial assets equal to 12-month ECL with taking those collaterals into accounts, unless when there has been a significant increase in credit risk since initial recognition or classified as credit-impaired, 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 or classified as credit-impaired.

The directors consider that the credit risk arising from asset-based loan receivables is significantly mitigated by the vessels held as collateral, with reference to the market values of the vessels which were appraised by independent qualified appraisal firms. When the market value of borrowers' collaterals falls below the loan-to-value ratio and the borrower is past due on its contractual repayment, the Group considers loan receivables to have experienced an increase in credit risk. The average credit terms given to borrowers are generally 15 days. The loan receivables arise from asset-based financing are reviewed by the management at the reporting date to assess impairment allowance which are based on the evaluation of current creditworthiness, collection statistic and the market values of the vessels or similar vessels which were appraised by independent qualified appraisal firms.

For the result of the assessment, by reference to the value of the collateral ships of approximately US\$34.0 million, approximately HK\$265 million (2020: US\$64.2 million, approximately HK\$500 million) without significant change in the quality, the management believes that loan receivables arise from asset-based financing of HK\$67,607,000 (2020: HK\$260,192,000) as at 31 December 2021 were concluded as low credit risk without any default events, modified credit risk or other factors lead to a significant increase in the credit risk. Therefore, no loan receivables arise from asset-based financing was impaired or written off as at 31 December 2021 and 2020.

For the financial assets at fair value through OCI, the management believes that the credit risk inherent in the Group is low and counterparties have the capacity to meet their contractual cash flow obligation in the near term and the ECL recognized is based on the 12-month ECL.

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.

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

39. FINANCIAL RISK MANAGEMENT AND POLICIES (Continued)

(f) Liquidity risk

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

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

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

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

	Within one year HK\$'000	In the second year HK\$'000	In the third to fifth year HK\$'000	Total undiscounted amount HK\$'000	Carrying amount HK\$'000
2021					
Trade and other payables	168,959	–	–	168,959	168,959
Secured bank loans	529,524	174,445	179,906	883,875	860,436
	698,483	174,445	179,906	1,052,834	1,029,395
2020					
Trade and other payables	136,706	–	–	136,706	136,706
Secured bank loans	563,119	122,859	334,714	1,020,692	986,174
	699,825	122,859	334,714	1,157,398	1,122,880

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

40. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured bank loans repayable within one year	515,363	545,667
Secured bank loans repayable after one year	345,073	440,507
Total secured bank loans	860,436	986,174
Less: Equity and debt securities	(366,497)	(319,134)
Less: Bank balances and cash	(269,175)	(284,407)
Net debts	224,764	382,633
Total equity	3,481,493	1,977,684
Gearing ratio	6%	19%

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

(a) Statement of financial position of the Company

	2021 HK\$'000	2020 HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Financial assets at fair value through OCI	13,500	13,000
Investments in subsidiaries	586,670	586,670
	600,170	599,670
Current assets		
Other receivables	3,665	3,371
Financial assets at fair value through profit or loss	30,477	8,832
Amount due from subsidiaries	128,337	130,474
Bank balances and cash	8,496	22,035
	170,975	164,712
Current liabilities		
Other payables	494	470
	170,481	164,242
Net current assets	170,481	164,242
Net assets	770,651	763,912
EQUITY		
Capital and reserves		
Issued capital	381,639	381,639
Reserves (<i>Note</i>)	389,012	382,273
Total equity	770,651	763,912

Note: At the reporting date, reserves of the Company available for distribution to shareholders amounted to HK\$348,292,000 (2020: HK\$342,053,000).

Approved and authorized for issue by the Board of Directors on 15 March 2022

Ng Siu Fai
Chairman

Ng Kam Wah Thomas
Managing Director

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

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

(b) Statement of changes in equity of the Company

	Issued capital HK\$'000	Reserve for financial assets at fair value through OCI HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2020	381,639	7,000	381,337	769,976
Comprehensive loss				
Net loss for the year	–	–	(7,064)	(7,064)
Other comprehensive income				
Change in fair value of financial assets at fair value through OCI	–	1,000	–	1,000
Total comprehensive loss for the year	–	1,000	(7,064)	(6,064)
At 31 December 2020	381,639	8,000	374,273	763,912
At 1 January 2021	381,639	8,000	374,273	763,912
Comprehensive income				
Net profit for the year	–	–	6,239	6,239
Other comprehensive income				
Change in fair value of financial assets at fair value through OCI	–	500	–	500
Total comprehensive income for the year	–	500	6,239	6,739
At 31 December 2021	381,639	8,500	380,512	770,651

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

42. PRINCIPAL SUBSIDIARIES

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

	Jinhui Shipping Group	
	2021	2020
	HK\$'000	HK\$'000
NCI percentage	44.31%	44.31%
Non-current assets	3,386,222	2,047,079
Current assets	886,033	809,000
Non-current liabilities	(311,555)	(403,954)
Current liabilities	(590,515)	(586,677)
Net assets	3,370,185	1,865,448
Carrying amount of NCI	1,506,704	839,959
Revenue	1,022,335	367,524
Net profit (loss) for the year	1,514,737	(118,966)
Total comprehensive income (loss) for the year	1,530,305	(105,628)
Net profit (loss) for the year attributable to NCI	671,177	(52,713)
Total comprehensive income (loss) for the year attributable to NCI	678,075	(46,805)
Dividends paid to NCI	(11,330)	–
Net cash from operating activities	713,287	212,862
Net cash used in investing activities	(547,139)	(34,078)
Net cash used in financing activities	(167,006)	(179,977)

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

42. PRINCIPAL SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020 are as follows:

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2021	Attributable equity interest at 31/12/2020	Principal activities	Place of operation
Incorporated in Bermuda					
Jinhui MetCoke Limited	12,000 ordinary shares of US\$1 each	55.69%	55.69%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	109,258,943 ordinary shares of US\$0.05 each	55.69%	55.69%	Investment holding	Worldwide
Incorporated in the British Virgin Islands					
Advance Rich Limited	1 share of US\$1 each	55.69%	55.69%	Investment	Worldwide
Hazen Valley Limited	1 share of US\$1 each	100%	100%	Property investment	Hong Kong
Jin Hui Shipping Inc.	50,000 shares of US\$1 each	55.69%	55.69%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US\$1 each	55.69%	55.69%	Investment holding	Worldwide
Oriental Dynamic International Limited	1 share of US\$1 each	100%	100%	Property investment	Hong Kong
# Pantow Profits Limited	60,000 shares of US\$1 each	100%	100%	Investment holding	Worldwide
Incorporated in Hong Kong					
Best Flame International Limited	HK\$2 divided into 2 ordinary shares	55.69%	55.69%	Property investment	Hong Kong

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

42. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2021	Attributable equity interest at 31/12/2020	Principal activities	Place of operation
Incorporated in Hong Kong (Continued)					
Carpa Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Exalten Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Fair Fait International Limited	HK\$2 divided into 2 ordinary shares	55.69%	55.69%	Property investment	Hong Kong
First Lion International Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Goldbeam International Limited	HK\$5,000,000 divided into 5,000,000 ordinary shares	55.69%	55.69%	Ship management services, shipping agent and investment	Hong Kong
Good Sunshine Limited	HK\$1 divided into 1 ordinary share	55.69%	55.69%	Property investment	Hong Kong
Jinhui Finance (Hong Kong) Limited	HK\$10,000 divided into 10,000 ordinary shares	55.69%	55.69%	Money Lending	Hong Kong
# Jinhui Investments (China) Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Investment holding	Hong Kong
Keenfair Investment Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Investment	Hong Kong
Leadford Industries Limited	HK\$2 divided into 2 ordinary shares	55.69%	55.69%	Property investment	Hong Kong

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

42. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2021	Attributable equity interest at 31/12/2020	Principal activities	Place of operation
Incorporated in Hong Kong (Continued)					
Linkford International Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Monocosmic Limited	HK\$10,000 divided into 10,000 ordinary shares	55.69%	55.69%	Property investment	Hong Kong
Noble Talent Development Limited	HK\$1 divided into 1 ordinary share	55.69%	55.69%	Property investment	Hong Kong
Ringo Star Company Limited	HK\$2 divided into 2 ordinary shares	55.69%	55.69%	Property investment	Hong Kong
Union Gold Limited	HK\$1 divided into 1 ordinary share	55.69%	55.69%	Property investment	Hong Kong
Incorporated in the Republic of Liberia					
Galsworthy Limited	1 registered share of US\$1 each	55.69%	55.69%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US\$1 each	55.69%	55.69%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US\$1 each	55.69%	55.69%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US\$1 each	55.69%	55.69%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US\$1 each	55.69%	55.69%	Ship chartering	Worldwide

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

42. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2021	Attributable equity interest at 31/12/2020	Principal activities	Place of operation
Incorporated in the Republic of Panama					
Jinan Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinao Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jincheng Maritime Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jingang Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinhong Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinji Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinjun Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinlang Marine Inc.	2 registered shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinli Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

42. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2021	Attributable equity interest at 31/12/2020	Principal activities	Place of operation
Incorporated in the Republic of Panama (Continued)					
Jinmei Marine Inc.	2 registered shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinquan Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinrong Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinshun Shipping Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinsui Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jintong Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinwan Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinxiang Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinxing Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinyao Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide

Notes to the Consolidated Financial Statements

Year ended 31 December 2021

42. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2021	Attributable equity interest at 31/12/2020	Principal activities	Place of operation
Incorporated in the Republic of Panama (Continued)					
Jinyi Shipping Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinyuan Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	Ship owning	Worldwide
Jinyue Marine Inc.	2 common shares of US\$1 each	55.69%	55.69%	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 2021 annual report.

Abbreviations / Main terms	Meanings in the annual report
Board	Board of Directors;
Chairman	Chairman of the Board;
China / PRC	The People's Republic of China;
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules;
Company / Jinhui Holdings	Jinhui Holdings Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Hong Kong Stock Exchange (stock code: 137);
Company Code	A set of code adopted by the Company, which sets out the corporate standards and practices used by the Group;
Director(s)	Director(s) of the Company;
DWT	Deadweight tonnage;
ECL	Expected credit loss;
ESG report	Environmental, Social and Governance report;
Group	Company and its subsidiaries;
HKAS	Hong Kong Accounting Standards;
HKFRS	Hong Kong Financial Reporting Standards;
HKICPA	Hong Kong Institute of Certified Public Accountants;
Hong Kong	The Hong Kong Special Administrative Region of the PRC;
IMO	The International Maritime Organization;

Glossary

Abbreviations / Main terms	Meanings in the annual report
ISM Code	The International Safety Management Code;
ISPS Code	The International Ship and Port Facility Security Code;
Jinhui Shipping	Jinhui Shipping and Transportation Limited, a limited liability company incorporated in Bermuda and an approximately 55.69% owned subsidiary of the Company as at 31 December 2021, whose shares are listed on the Oslo Stock Exchange (Oslo Børs) (stock code: JIN);
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
MARPOL	The International Convention for the Prevention of Pollution from Ships;
Post-Panamax	Vessel of deadweight approximately between 90,000 metric tons to 100,000 metric tons;
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
Shareholder(s)	Shareholder(s) of the Company;
STCW Convention	The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers;
Stock Exchange	The Stock Exchange of Hong Kong Limited;
Supramax(es)	Dry cargo vessel(s) of deadweight approximately 50,000 metric tons;
HK\$	Hong Kong Dollars, the lawful currency of Hong Kong;
SGD	Singapore Dollars, the lawful currency of Singapore; and
US\$	United States Dollars, the lawful currency of the United States of America.

Appendix

LIST OF INVESTMENT PROPERTIES

Particulars of the Group's investment properties ¹ as at 31 December 2021 are as follows:

Address	Saleable area	Use	Category of lease	Percentage held by the Group
Whole of 20th Floor Lippo Leighton Tower No. 103 Leighton Road Hong Kong	2,848 sq. feet	Commercial	Long lease	100%
Unit B on 12th Floor Lippo Leighton Tower No. 103 Leighton Road Hong Kong	1,293 sq. feet	Commercial	Long lease	100%
Unit A on 16th Floor Lippo Leighton Tower No. 103 Leighton Road Hong Kong	1,288 sq. feet	Commercial	Long lease	100%
Portion A on 15th Floor (consisting of a portion of Office A & Offices E & F) Yardley Commercial Building No. 3 Connaught Road West Hong Kong	2,522 sq. feet	Commercial	Long lease	100%
Office Units B, C and D on 16th Floor Yardley Commercial Building No. 3 Connaught Road West Hong Kong	2,450 sq. feet	Commercial	Long lease	100%
Office Unit B on 7th Floor Yardley Commercial Building No. 3 Connaught Road West Hong Kong	2,521 sq. feet	Commercial	Long lease	100%
Unit 06 on 12th Floor of Block A Hongway Garden No. 8 New Market Street Sheung Wan Hong Kong	402 sq. feet	Residential	Long lease	100%

Note:

1. The list of investment properties does not include the 25 car parks held by the Group which are located at Yardley Commercial Building, No. 3 Connaught Road West, Hong Kong.