



JINHUI SHIPPING AND TRANSPORTATION LIMITED



Annual Report
2014



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ng Siu Fai, *Chairman*

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

Ng Ki Hung Frankie

Ho Suk Lin Cathy

Non-executive Directors

Tsui Che Yin Frank

William Yau

AUDIT COMMITTEE

Tsui Che Yin Frank, *Chairman*

William Yau

REMUNERATION COMMITTEE

Tsui Che Yin Frank, *Chairman*

William Yau

COMPANY SECRETARY

Ho Suk Lin Cathy

AUDITOR

Grant Thornton Hong Kong Limited

Certified Public Accountants

SHARE LISTING

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

SHARE REGISTRARS

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2 Church Street

Hamilton HM 11

Bermuda

Nordea Bank Norge ASA

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0107 Oslo, Norway

REGISTERED OFFICE

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WEBSITE

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Chairman's Statement

The Board is pleased to present the annual report of **Jinhui Shipping and Transportation Limited** for the financial year 2014.

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

Revenue for the year 2014 declined 39% to US\$132,249,000, comparing to US\$217,502,000 for the year 2013. The Company recorded a consolidated net loss of US\$86,748,000 for the year 2014 while a consolidated net profit of US\$25,399,000 was reported in the year 2013. Basic loss per share for the year was US\$1.032 as compared to basic earnings per share of US\$0.302 for the year 2013. The considerable consolidated net loss for the year 2014 was primarily attributable to the recognition of impairment loss on certain owned vessels and reduced hire and freight revenue due to low freight rates in weak shipping market during the year.

Amidst oversupply of tonnage capacity, plummeting freight rates and falling market value of dry bulk vessels, the management cautiously reviewed the fundamentals in dry bulk shipping industry outlook and considered that impairment indication of the Group's fleet existed at end of 2014. The imbalance of supply might continue for some time and oversupply of vessels against a weakening demand in global seaborne trade remains to haunt the dry bulk shipping industry. With due considerations of factors affecting the long term intrinsic values of owned vessels in the impairment review, an impairment loss of US\$50,586,000 on certain owned vessels was recognized at end of 2014. The impairment loss is non-cash in nature and does not have impact on the operating cash flows of the Group.

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

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



Ng Siu Fai
Chairman

16 March 2015

Strategies and Business Profile

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

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

As at date of this annual report, the major shareholder of the Company is Jinhui Holdings Company Limited which holds approximately 54.77% interests in the Company.

STRATEGIES

The Group's fleet is comprised 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 maintaining a strong financial position and moderate leverage, and continue to look for earnings accretive purchases opportunities of Supramax class vessels in both newbuildings and second hand market going forward.

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

SHIPPING BUSINESS

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

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

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

It is the Group's policy to comply with all applicable environmental rules and regulations in its shipping operations to avoid the emission of noxious liquids into the environment. Accordingly, all the Group's vessels are equipped with the appropriate preventive, monitoring and control devices to meet legal and regulatory requirements.

Strategies and Business Profile

SHIPPING BUSINESS *(Continued)*

Owned Vessels

As at 31 December 2014, the Group had thirty six owned vessels and 850 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 Rui	Panamax	2009	Imabari	76,583
Jin Chao	Panamax	2011	Sasebo	75,008
Jin Xiang	Supramax	2012	Oshima	61,414
Jin Han	Supramax	2011	Oshima	61,414
Jin Hong	Supramax	2011	Oshima	61,414
Jin Ming	Supramax	2010	Oshima	61,414
Jin Feng	Supramax	2011	STX (Dalian)	57,352
Jin Sui	Supramax	2008	Shanghai Shipyard	56,968
Jin Tong	Supramax	2008	Shanghai Shipyard	56,952
Jin Yue	Supramax	2010	Shanghai Shipyard	56,934
Jin Gang	Supramax	2009	Shanghai Shipyard	56,927
Jin Ao	Supramax	2010	Shanghai Shipyard	56,920
Jin Ji	Supramax	2009	Shanghai Shipyard	56,913
Jin Wan	Supramax	2009	Shanghai Shipyard	56,897
Jin Jun	Supramax	2009	Shanghai Shipyard	56,887
Jin Xing	Supramax	2007	Oshima	55,496
Jin Yi	Supramax	2007	Oshima	55,496
Jin Yuan	Supramax	2007	Oshima	55,496
Jin Heng	Supramax	2010	Nantong Kawasaki	55,091
Jin Mao	Supramax	2009	Oshima	54,768
Jin Shun	Supramax	2009	Oshima	54,768
Jin Cheng	Supramax	2003	Oshima	52,961
Jin Sheng	Supramax	2006	IHI	52,050
Jin Yao	Supramax	2004	IHI	52,050
Jin Quan	Supramax	2002	Oshima	51,104
Jin An	Supramax	2000	Oshima	50,786
Jin Ping	Supramax	2002	Oshima	50,777
Jin Fu	Supramax	2001	Oshima	50,777
Jin Li	Supramax	2001	Oshima	50,777
Jin Hui	Supramax	2000	Oshima	50,777
Jin Rong	Supramax	2000	Mitsui	50,236
Jin Zhou	Supramax	2001	Mitsui	50,209
Jin Bi	Handymax	2000	Oshima	48,220
Jin Yu	Handysize	2012	Naikai Zosen	38,462
				2,076,781

Ordered Vessel

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

Highlights

HIGHLIGHTS FOR THE YEAR 2014

- 17 February 2014** Disposal of two Supramaxes, namely “Jin Yang” and “Jin Ze” which were classified as “Assets held for sale” as at 31 December 2013. Both vessels were delivered to the purchaser in March 2014 as scheduled.
- 10 April 2014** Acquisition of a newbuilding (2016 – 60,000 dwt) which will be delivered to the Group on or before 31 March 2016.

Highlights

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

Loading Ports Analysis

	2014	2013
<i>(Expressed as a percentage of revenue)</i>	%	%
Asia excluding China	41.6	57.4
Australia	26.1	20.9
China	14.2	3.3
North America	7.8	4.1
South America	4.4	7.6
Africa	4.1	2.9
Europe	1.5	3.3
Others	0.3	0.5
	100.0	100.0

Discharging Ports Analysis

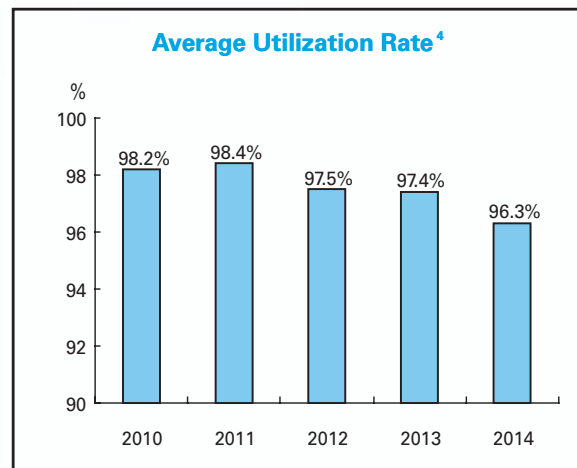
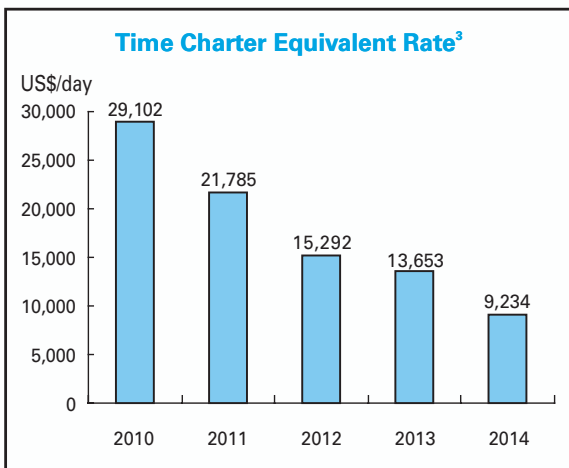
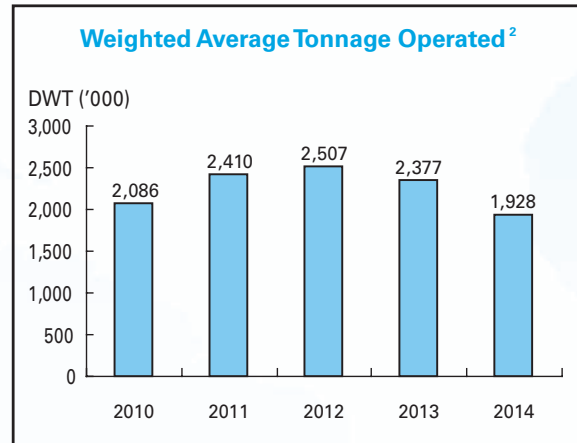
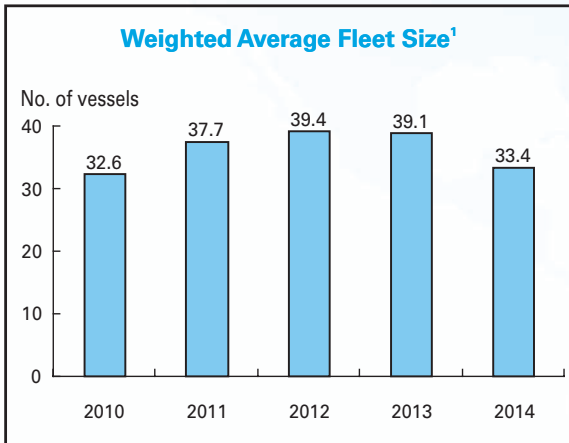
	2014	2013
<i>(Expressed as a percentage of revenue)</i>	%	%
China	70.0	78.2
Asia excluding China	25.7	12.4
North America	1.8	0.5
Europe	1.3	3.5
Others	0.8	–
South America	0.4	1.0
Africa	–	4.4
	100.0	100.0

Types of Cargoes carried by the Group's Fleet

	2014		2013	
	Metric Tons <i>(in '000)</i>	%	Metric Tons <i>(in '000)</i>	%
Minerals	11,922	63.3	17,216	82.1
Steel products	3,010	16.0	618	2.9
Coal	2,452	13.0	2,011	9.6
Agricultural products	899	4.8	844	4.0
Cement	510	2.7	135	0.6
Fertilizer	29	0.2	122	0.6
Alumina	–	–	31	0.2
	18,822	100.0	20,977	100.0

Highlights

PERFORMANCE OVERVIEW FOR SHIPPING BUSINESS



Notes:

1. Weighted average fleet size is the weighted average number of vessels that constituted the fleet during the year and is calculated as the sum of each vessel's number of available days divided by the number of calendar days in the year.
2. Weighted average tonnage operated is calculated as the sum of each vessel's deadweight tonnage multiplied by the number of available days divided by the number of calendar days in the year.
3. 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.
4. Average utilization rate is calculated as the number of operating days divided by the number of available days in the year. The average utilization rate for 2013 was adjusted for the two vessels held for sale for maintenance works and vessel modifications performed in 2013.

FIVE-YEAR FINANCIAL SUMMARY

	2014 US\$'000	2013 US\$'000	2012 US\$'000	2011 US\$'000	2010 US\$'000
Key Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	132,249	217,502	234,035	305,196	348,276
Operating profit (loss)	(81,307)	32,330	44,301	68,791	92,369
Finance costs	(5,441)	(6,931)	(8,720)	(7,223)	(5,538)
Profit (Loss) before taxation	(86,748)	25,399	35,581	61,568	86,831
Taxation	-	-	-	-	-
Net profit (loss) for the year	(86,748)	25,399	35,581	61,568	86,831
Other comprehensive income	-	-	-	23	13
Total comprehensive income (loss) for the year attributable to shareholders of the Company	(86,748)	25,399	35,581	61,591	86,844
Earnings (Loss) per share – Basic and diluted	US\$(1.032)	US\$0.302	US\$0.423	US\$0.733	US\$1.033

Key Items in the Consolidated Statement of Financial Position

Non-current assets	976,860	1,068,152	1,207,266	1,148,398	1,074,077
Current assets	248,851	344,107	278,612	320,399	310,795
Total assets	1,225,711	1,412,259	1,485,878	1,468,797	1,384,872
Total equity	792,150	878,898	853,499	817,918	756,327
Non-current liabilities	338,638	402,498	492,936	513,211	498,619
Current liabilities	94,923	130,863	139,443	137,668	129,926
Total equity and liabilities	1,225,711	1,412,259	1,485,878	1,468,797	1,384,872

Other Financial Information

Gearing ratio	25%	32%	42%	39%	38%
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Shareholders' Diary

Annual general meeting	14 May 2015
Announcement for the first quarter results 2015	29 May 2015*
Announcement for the second quarter results 2015	31 August 2015*
Announcement for the third quarter results 2015	30 November 2015*
Announcement for the fourth quarter results 2015	29 February 2016*

* *Subject to change*

Corporate Governance Report

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

SECTION 3-3B OF THE NORWEGIAN ACCOUNTING ACT

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

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

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

Jinhui Shipping has applied the principles as set out in the Norwegian Code of Practice as its corporate governance structure. The Company gives an annual review of the corporate governance report which covers every section for its compliance with the Norwegian Code of Practice, and explains the deviations with selected alternative approaches on pages 13 to 27 with the numbers refer to the section's numerical order of the Norwegian Code of Practice.

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

The Norwegian Code of Practice, which was revised and published on 30 October 2014 is available on the Norwegian Corporate Governance Board website (www.nues.no) and the Continuing Obligations is available on the Oslo Bors website (www.oslobors.no).

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

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

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

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

Corporate Governance Report

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

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

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

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

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

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

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

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

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

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

Corporate Governance Report

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

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

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

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

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

There is no provision in the Company's Bye-Laws giving the Board the right to decide on share repurchases or to issue new shares. Yet, there are two existing general mandates in place that give the Board the power to repurchase shares of the Company which shall not be more than 10% of the aggregate nominal amount of the issued share capital of the Company and the power to issue, allot and dispose of shares of the Company not exceeding the aggregate of 20% of the issued share capital of the Company on the date of the resolution. These general mandates were granted to the Board in the Company's annual general meeting held on 8 May 2014 and are valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

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

Section 1 Implementation and reporting on corporate governance

Jinhui Shipping has applied and followed the principles as set out in the Norwegian Code of Practice. The corporate governance report of 2014 covered every section of Norwegian Code of Practice with the description of our conformance throughout the year and the explanation of the reasons for the deviations.

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

Corporate Governance Report

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

Section 2 Business

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

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

The Group's main objectives and strategies for our businesses are discussed in the "Strategies and Business Profile" on pages 4 and 5.

According to the Norwegian Code of Practice, the company should publish the object clause stated in the articles of association in the annual report.

As part of our commitment to promote environmental friendly consciousness, the Company encourages shareholders or investors to download full version of the Company's Memorandum of Association and Bye-Laws from the Company's website at www.jinhuiship.com. As an alternative, the Company may also send printed copies to shareholders or investors upon receiving written request.

Section 3 Equity and dividends

Equity

Jinhui Shipping's capital adequacy is kept under constant review in relation to its objectives, strategies and risk profile. As at 31 December 2014, the Group's total equity was US\$792,150,000, accounting for 65% of its consolidated total assets. The Board considers the present equity structure to be satisfactory.

Dividend policy

Jinhui Shipping shall maximize shareholders' values by increasing the Company's equity value and distributing dividends to shareholders.

Jinhui Shipping has suspended its fixed annual dividend payout since the fourth quarter of 2008 in order to preserve cash and enhance liquidity and does not anticipate paying any cash dividends in the short term. The dividend policy will be regularly assessed by the Board and will depend, among other things, on the Group's financial obligations, leverage, liquidity and capital resources, and the market conditions. During the year, there was no proposal for the Board to be given any mandate to approve the distribution of dividends.

Corporate Governance Report

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

Section 3 Equity and dividends *(Continued)*

Increase in share capital

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

At the 2014 Annual General Meeting of the Company, a general mandate had been granted to the directors of the Company to increase not exceeding the aggregate of 20% of the issued share capital of the Company which would be valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company. No shares were being issued under this authorization in 2014.

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

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

Purchase of own shares

At the 2014 Annual General Meeting of the Company, a general mandate had been granted to the directors of the Company to purchase not more than 10% of the aggregate nominal amount of the issued share capital of the Company which would be valid until the earlier of the date of the next annual general meeting or otherwise revoked or determined by shareholders at a general meeting of the Company. No shares were being repurchased under this authorization in 2014.

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

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

Corporate Governance Report

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

Section 4 Equal treatment of shareholders and transactions with close associates

Equal treatment of shareholders

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

Share issues

In the event of an increase in share capital where the Board resolves to carry out an increase in share capital on the basis of a mandate granted to the Board that waives the pre-emption rights of existing shareholders, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital. No shares were being issued in 2014.

Transactions in its own shares

Jinhui Shipping's shares are liquid. In the event the Company carries out transactions in its own shares, it would only carry out such transactions either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the Company's shares, the Company would consider other ways to ensure equal treatment of all shareholders. No transactions in shares were being carried out by the Company in 2014.

Transactions with close associates

Jinhui Shipping is a listed issuer on the Oslo Stock Exchange and is a subsidiary of Jinhui Holdings Company Limited, whose shares are listed on the Hong Kong Stock Exchange. The directors of the Company and executive personnel have the obligations to follow rules, regulations and guidelines in relation to transactions with close associates as set out by the Financial Supervisory Authority of Norway, the Stock Exchange of Hong Kong Limited, the International Accounting Standards Board and the Hong Kong Institute of Certified Public Accountants. The Company has established guidelines to make sure the directors of the Company and executive personnel would notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company and its subsidiaries and would pay particular attention to obtain independent valuations for any material transactions between the Group and its close associates.

Section 5 Freely negotiable shares

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

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

Corporate Governance Report

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

Section 5 Freely negotiable shares *(Continued)*

This constitutes a deviation from the Norwegian Code of Practice which states that the company's share must, in principle, be freely negotiable, and no form of restriction on negotiability should be included in the articles of association.

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

Section 6 General meetings

Attendance by shareholders

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

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

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

Corporate Governance Report

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

Section 6 General meetings *(Continued)*

Participation by shareholders in absentia

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

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

Attendance by the board of directors and auditor

The Chairman attends and chairs the general meetings. Other members of the Board are entitled to attend and the external auditor is present at the annual general meeting. The 2015 Annual General Meeting is scheduled on 14 May 2015. Notice of 2015 Annual General Meeting will be published on the website of the Company and the NewsWeb of the Oslo Stock Exchange and will be despatched to shareholders of the Company together with the 2014 annual report in early April 2015.

Chairman of the general meetings

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

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

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

Section 7 Nomination committee

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

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

Corporate Governance Report

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

Section 8 Board of Directors: composition and independence

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

During the year, the Board comprised of four executive directors, including the Chairman and the Managing Director, and three non-executive directors³. The Chairman is responsible for overseeing the functioning of the Board whilst the Managing Director, supported by the executive directors, is responsible for managing the Group's business, including the implementation of major strategies and initiatives adopted by the Board. All non-executive directors, who are shareholder-elected members and independent of executive personnel, material business contacts and main shareholders of the Company, serve the important function of advising the management on strategies development and ensure that the Group maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole.

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

All directors, apart from the Chairman and the Managing Director, are subject to retirement by rotation and re-election at the annual general meeting once every three years. As at date of this annual report, directors who hold office of the Company are listed below:

Executive Directors

Ng Siu Fai¹, *Chairman*

Ng Kam Wah Thomas¹, *Managing Director and Deputy Chairman*

Ng Ki Hung Frankie¹

Ho Suk Lin Cathy¹

Non-executive Directors

Tsui Che Yin Frank²

William Yau²

Notes:

1. Mr. Ng Siu Fai, Mr. Ng Kam Wah Thomas, Mr. Ng Ki Hung Frankie and Ms. Ho Suk Lin Cathy are executive directors of Jinhui Holdings Company Limited, the Company's holding company.
2. Mr. Tsui Che Yin Frank and Mr. William Yau are independent non-executive directors of Jinhui Holdings Company Limited.
3. Mr. Ng Ham Tim, non-executive director of the Company, deceased on 27 February 2014.

Corporate Governance Report

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

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

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

Dry bulk shipping is a highly specialized industry, and requires executives with substantial amount of industry experience to fully comprehend and to monitor the performance of the Group. The Chairman and the Managing Director have extensive experience and knowledge in dry bulk shipping business and their duties for overseeing the functioning of the Board and all aspects of the Group's operations are clearly beneficial to the Group. Despite the executive directors being executive personnel of the Group and performing executive management function in day-to-day operations, the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability and the other two executive directors are with extensive experiences in shipping business and management. In addition, members of the Board are obliged to disqualify themselves from participation in handling of individual matters in which the board member, or its close associates, have a particular interest. The Company believes the current board composition is sufficient to represent the interests of all shareholders and this will not impair the balance of power and authority between the Board and the management of the Company. The biographical details of the directors of the Company are set out in the "Board of Directors and Executive Personnel" on pages 28 and 29.

Board meetings attendance

The Board meets at least quarterly and on other occasions when a Board decision is required on major issues. In 2014, the Board held six meetings. The attendance record* of each member of the Board is set out below:

Executive Directors	Attendance
Ng Siu Fai	6
Ng Kam Wah Thomas	6
Ng Ki Hung Frankie	6
Ho Suk Lin Cathy	6
Non-executive Directors	
Tsui Che Yin Frank	4
William Yau	6

Note:

* The above attendance record excluded the deceased director Mr. Ng Ham Tim.

Corporate Governance Report

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

Section 9 Work of the Board of Directors

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

The Board produces an annual plan with particular emphasis on business objectives and strategies. As dry bulk shipping market tends to be highly volatile, affected by multiple events including but not limited to economic, weather, political, and seasonality, the Board therefore from time to time discusses the strategies with relevant forecast or budget reports based on the prevailing market conditions. With reference to the 2014 annual plan, the Board had conducted an annual self-evaluation of its work, competence and co-operation with the management in the first quarter of 2015 and satisfied with the performance of year 2014.

Board committees

The Board is assisted by two board committees which are Audit Committee and Remuneration Committee. Their existence does not reduce the responsibility of the Board as a whole. Board committee meetings are convened to prepare matters for consideration and final decision by the Board as a whole. Material information that comes to the attention of board committees are also communicated to other members of the Board.

As a general principle, the board committees have an advisory role to the Board and members of such committees are restricted to members of the Board who are independent of executive personnel. They assist the Board in specific areas and make recommendations to the Board. However, only the Board has the power to make final decisions.

Audit Committee

The Audit Committee was established on 17 March 2006. The members of Audit Committee* comprised of two non-executive directors, namely Mr. Tsui Che Yin Frank (chairman of Audit Committee) and Mr. William Yau. The primary duties of the Audit Committee include the review of the Group's financial reporting, the nature and scope of audit review as well as the effectiveness of the system of internal control and compliance. The Audit Committee is also responsible for making recommendations in relation to the appointment, re-appointment and removal of the auditor, and reviewing and monitoring the auditor's independence and objectivity. In addition, the Audit Committee discusses matters raised by the auditor and regulatory bodies to ensure that appropriate recommendations are implemented.

Corporate Governance Report

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

Section 9 Work of the Board of Directors *(Continued)*

Audit Committee *(Continued)*

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

Note:

* The composition of Audit Committee excluded the deceased director Mr. Ng Ham Tim.

Remuneration Committee

The Remuneration Committee was established on 17 March 2006. The members of Remuneration Committee* comprised of two non-executive directors, namely Mr. Tsui Che Yin Frank (chairman of Remuneration Committee) and Mr. William Yau. The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive directors and executive personnel, including salaries, bonuses, benefits in kind, pension rights and compensation payments, and make recommendations to the Board on the fees for the non-executive directors. The Remuneration Committee should consider factors such as the performance of executive directors and executive personnel, the profitability of the Group, salaries paid by comparable companies, time commitment and responsibilities of the executive directors and executive personnel, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Group.

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

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

Note:

* The composition of Remuneration Committee excluded the deceased director Mr. Ng Ham Tim.

Corporate Governance Report

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

Section 10 Risk management and internal control

The Board has overall responsibility for the Group's system of internal control and assessment and management of risks. The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It reviews the work plan for audit and considers the internal control review report to the Audit Committee on the effectiveness of internal controls in the Group's business operation.

Risk management

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. Details of the Group's risk management policies are set out in the "Directors' Report" and note 38 to the financial statements.

Internal controls

The internal control and accounting systems of the Group are designed 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. The key control procedures include 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. 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, through the assistance of the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2014, covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and appropriate actions have been taken.

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

Directors' fees represent remuneration to members for holding capacity as directors of the Company and are determined based on the responsibility and expertise of the members, time commitment and the complexity of the Company's activities and do not link to the Company's performance. Directors' other emoluments represent remuneration to executive directors for being executive personnel of the Group and performing executive management functions in day-to-day operations and their other emoluments are determined based on guideline for the remuneration of the executive personnel. The guideline is also included in the Company's upcoming Notice of 2015 Annual General Meeting for shareholders' consideration.

Corporate Governance Report

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

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

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

(a) Fixed remuneration component

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

(b) Variable remuneration component

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

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

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

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

Corporate Governance Report

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

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

As mentioned in section 8, executive directors are performing executive personnel function, they received remuneration for additional duties as member of the Board. The Remuneration Committee has been established to assist the Board in developing and administering a fair procedure for determining on the specific remuneration packages of all executive directors and executive personnel of the Company. At the meeting held on 27 February 2015, the Remuneration Committee reviewed and made recommendations to the Board on the fees of the executive directors, other emoluments of the individual executive directors and executive personnel for year 2014, and made recommendations to the Board on the remuneration packages of the individual executive directors and executive personnel for year 2015 as well as fees for non-executive directors. Each component of remuneration to members of the Board are disclosed to the full board and approved by the Remuneration Committee and the Board. Details of the fees and other emoluments of the directors of the Company for year 2014 are set out in note 10 to the financial statements.

Section 13 Information and communications

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

Financial reporting

The Board is responsible for the accounts and the presentation of the financial results to shareholders in general meetings.

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

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

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

Corporate Governance Report

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

Section 13 Information and communications *(Continued)*

Other market information

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

According to the Norwegian Code of Practice, when publishing annual and interim reports, the company should hold public presentations that are simultaneously broadcast over the internet.

Public presentations to investors and analysts are available after each quarterly results announcement in an open and equal manner. The Company considers that it would be sufficient to conduct presentations on a regular basis as and when appropriate.

Section 14 Take-overs

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

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

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

Section 15 Auditor

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

Corporate Governance Report

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

Section 15 Auditor *(Continued)*

The auditor participates in meetings of the Board that deal with the annual accounts. At these meetings, the auditor reviews the material changes in the Group's accounting principles and policies, identifies the significant risks and exposures of the Group, and comments on the Group's accounting and internal control systems during the course of audit. The auditor also attends the annual general meeting of the Company. In addition, annual meeting with the auditor and the Board without the attendance of executive directors had been arranged.

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

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

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

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

In the forthcoming general meeting, the Board will report the remuneration paid to auditor including the details of the fee paid for audit services and any fees paid for other specific assignments. In 2014, the remuneration paid and payable to the auditor of the Company for the provision of the Group's audit services and other services were US\$152,000 and US\$12,000 respectively. Fees paid for other services mainly included fees for tax compliance services of US\$3,000 and review of internal control systems of US\$3,000. The auditor's remuneration excluded VAT as the external auditor performed its services in Hong Kong, where no VAT being imposed.

Board of Directors and Executive Personnel

BOARD OF DIRECTORS

Mr. Ng Siu Fai, *Chairman*

Aged 58. Appointed as a Director of the Company since 1994. As one of the two founders of the Group in 1987, Mr. Ng was appointed as the chairman of Jinhui Holdings, the Company's holding company, in 1991. His responsibility is to formulate strategic planning for the Group as well as overseeing all aspects of the Group's operations. Mr. Ng has extensive knowledge and working experience in the shipping industry as well as business management and China trade.

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

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

Aged 52. Appointed as a Director of the Company since 1994. Mr. Ng is the other founder of the Group in 1987 and was appointed as a director of Jinhui Holdings since 1991. He is responsible for the Group's shipping activities. Mr. Ng has extensive knowledge and working experience in the shipping industry and business management. Mr. Ng holds a Bachelor's Degree in Arts from the University of Guelph in Canada and a Diploma in Management Studies, specializing in shipping, from the Plymouth Polytechnic in the United Kingdom.

Mr. Ng Ki Hung Frankie, *Executive Director*

Aged 61. Appointed as a Director of the Company since 1994 and a director of Jinhui Holdings since 1991. Mr. Ng is responsible for the Group's investments and business management. Mr. Ng has extensive working experience in the shipping industry as well as business management and China trade.

Ms. Ho Suk Lin Cathy, *Executive Director*

Aged 51. Appointed as a Director and the Company Secretary of the Company since 1994 and a director of Jinhui Holdings since 1993. Ms. Ho is responsible for the Group's financial controls and secretarial matters. Ms. Ho has extensive working experience in finance and management. Prior to joining the Group in 1991, she worked in an international accounting firm. Ms. Ho is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and also an associate member of the Institute of Chartered Accountants in England and Wales.

Board of Directors and Executive Personnel

BOARD OF DIRECTORS *(Continued)*

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

Aged 57. Appointed as a Non-executive Director of the Company since 2006 and an independent non-executive director of Jinhui Holdings since 1994. Mr. Tsui has extensive experience in investment and banking industries and held senior management positions at various international financial institutions. He is currently an executive director of Melco International Development Limited, and the chairman and non-executive director of MelcoLot Limited (a subsidiary of Melco International Development Limited), both being companies listed in Hong Kong; and a director of Mountain China Resorts (Holding) Limited listed in Canada. Mr. Tsui graduated with a Bachelor's and a Master's Degree in Business Administration from the Chinese University of Hong Kong and with a Law Degree from the University of London. He holds a Doctoral Degree in Business Administration from The University of New Castle, Australia. Mr. Tsui is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities Institute.

Mr. William Yau, *Non-executive Director*

Aged 47. Appointed as a Non-executive Director of the Company since 2006 and an independent non-executive director of Jinhui Holdings since 2004. Mr. Yau has extensive experience gained from his senior management positions in various industries. He is at present a director of American Phil Textiles Limited and Forum Restaurant (1977) Limited. Mr. Yau also serves as director of the Hong Kong Island Social Services Charitable Foundation Limited. Mr. Yau graduated with a Bachelor Degree of Computer Systems Engineering from the Carleton University in Canada.

EXECUTIVE PERSONNEL

Mr. Ching Wei Man Raymond, *Vice President*

Aged 40. 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. Wu Kar Keung Norman, *Head of Chartering Department*

Aged 61. Joined the Group in 1995 as Head of Chartering Department, responsible for the chartering business of the Group. Mr. Wu has extensive working experience in the shipping industry, in particular ship chartering for over 25 years. Prior to joining the Group, Mr. Wu held senior position at Clarkson Asia Limited as well as running his own shipbroking company. Mr. Wu holds a Bachelor Degree in Business Administration from the University of Houston in USA.

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

Aged 62. 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 financial statements of Jinhui Shipping and its subsidiaries for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

REGISTERED OFFICE

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year 2014 are set out in the "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 47.

ALLOCATION OF NET INCOME (LOSS)

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2014. The Board has proposed the net loss of the Group for the year 2014 amounting to US\$86,748,000 to be allocated as a deduction to retained profits. The net profit of the Company for the year 2014 amounting to US\$1,559,000 to be allocated to retained profits and the reserves of the Company available for distribution to shareholders as at 31 December 2014 was US\$687,172,000.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the "Statements of Changes in Equity" on page 50.

DIVIDEND POLICY

Jinhui Shipping has suspended its fixed annual dividend payout since the fourth quarter of 2008 in order to preserve cash and enhance liquidity and does not anticipate paying any cash dividends in the short term. The dividend policy will be regularly assessed by the Board and will depend, among other things, on the Group's financial obligations, leverage, liquidity and capital resources, and the market conditions.

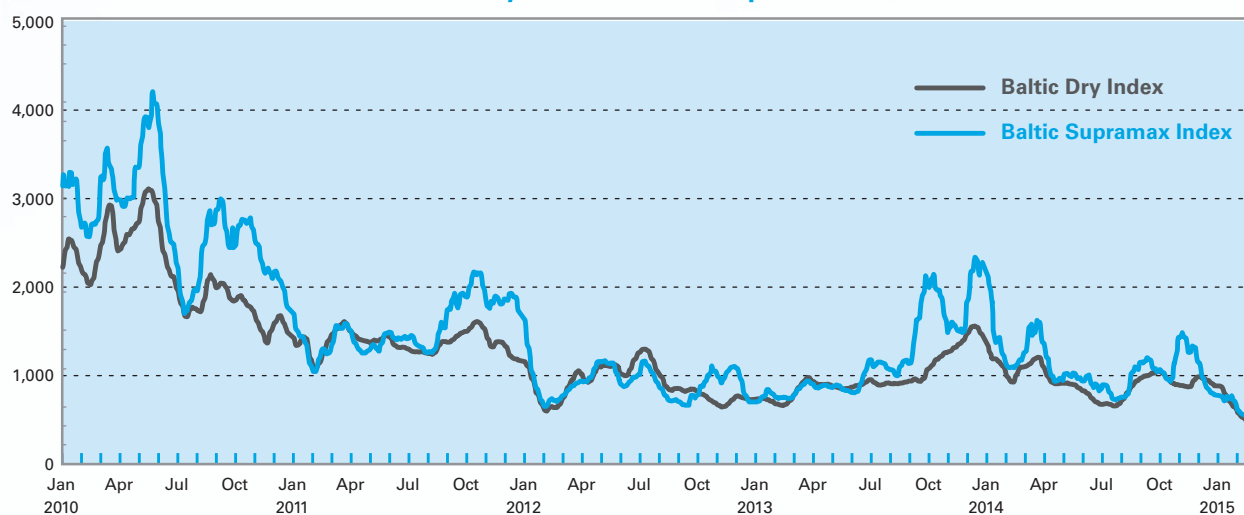
DIVIDENDS

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

REVIEW OF OPERATIONS

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

Baltic Dry Index & Baltic Supramax Index



Source: Bloomberg

Amidst oversupply of tonnage capacity, plummeting freight rates and falling market value of dry bulk vessels, the management cautiously reviewed the fundamentals in dry bulk shipping industry outlook and considered that impairment indication of the Group's fleet existed at end of 2014. The imbalance of supply might continue for some time and oversupply of vessels against a weakening demand in global seaborne trade remains to haunt the dry bulk shipping industry. With due considerations of factors affecting the long term intrinsic values of owned vessels in the impairment review, certain owned vessels' recoverable amounts which were determined based on value in use, were less than their respective carrying amounts. Accordingly, an impairment loss of US\$50,586,000 on certain owned vessels was recognized at end of 2014. The impairment loss is non-cash in nature and does not have impact on the operating cash flows of the Group.

Directors' Report

REVIEW OF OPERATIONS *(Continued)*

Revenue for the year dropped vigorously as the Group faced current market challenges, particularly for some owned vessels were chartered out in short term at relatively low freight rates at spot market. In addition, a chartered-in Capesize was redelivered to its owner in late January 2014. The Group's revenue for the year was US\$132,249,000, decreased by 39% as compared to US\$217,502,000 for the year 2013. The Group's net loss for the year was US\$86,748,000 as compared to a net profit of US\$25,399,000 for the year 2013. Basic loss per share for the year was US\$1.032 while basic earnings per share of US\$0.302 was reported in 2013.

Other operating income for the year 2014 included settlement income of US\$6,024,000 from certain charterers in relation to repudiation claims under arbitration awards and early redelivery of an owned vessel prior to expiry of charter contract. The Group will continue to seek all legal means to recover the amounts granted in the arbitration awards.

Shipping related expenses for the year 2014 dropped by 16% to US\$107,099,000 as compared to US\$127,089,000 for the year 2013. The decrease was mainly due to the reduction in hire payments of approximately US\$25.8 million for chartered-in vessels for the year 2014 as compared to the year 2013 as the only chartered-in vessel was redelivered to its owner in late January 2014 that caused savings in hire payments.

The Group entered into agreements in February 2014 to dispose two vessels at a total consideration of US\$56,000,000 to a purchaser, an independent third party. As at 31 December 2013, these two vessels were classified as "Assets held for sale" with recoverable amount of US\$55,440,000 and impairment loss of US\$12,844,000 had been recognized in year 2013. Both vessels were delivered to the purchaser in March 2014 as scheduled and a gain on disposal of assets held for sale of US\$560,000 was recorded in other operating income during the year.

The Group recorded fair value loss of US\$6,046,000 on investment portfolio of equity and debt securities for the year 2014, which was included in other operating expenses. For the year 2013, the fair value loss on investment portfolio was US\$3,723,000.

Finance costs for the year decreased by 21% from US\$6,931,000 in 2013 to US\$5,441,000 in 2014. The decrease was mainly attributable to the reduction in average outstanding loan principal under aggressive loan repayment schedules and full repayment of vessel mortgage loans for two disposed owned vessels in early 2014.

FINANCIAL REVIEW

Liquidity and financial resources. As at 31 December 2014, the total of the Group's equity and debt securities, bank balances and cash decreased to US\$202,903,000 (2013: US\$209,646,000) and bank borrowings decreased to US\$402,498,000 (2013: US\$492,936,000). 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 25% (2013: 32%) as at 31 December 2014. With cash, marketable equity and debt securities in hand as well as available credit facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

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

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

Operating activities – Cash flows arising from operating activities are primarily derived from the principal revenue-producing activities of the Group. The Group's net cash from operating activities for the year was US\$34,686,000 (2013: US\$25,949,000). Net cash from operating activities was determined by adjusting non-cash items such as depreciation and amortization, provisions and impairment losses; changes in operating assets and liabilities consist of inventories, receivables and payables, and financial assets at fair value through profit or loss; and all other items for which the cash effects were included in investing or financing activities, such as net gain or loss on disposal of property, plant and equipment and assets held for sale, dividend income and interest income; and including interest expenses paid during the year.

Investing activities – Cash flows arising from investing activities are primarily derived from cash proceeds or cash expenditures that result in a change in recognized assets in the statement of financial position which are not included in cash and cash equivalents. The Group's net cash from investing activities for the year was US\$32,277,000 (2013: US\$14,136,000). Net cash from investing activities mainly included interest received, dividend income received, cash payments or receipts in acquisition or disposal of property, plant and equipment, investment properties and assets held for sale, and adjusting for cash flows resulting from the changes in long term bank deposits with more than three months to maturity when placed.

Financing activities – Cash flows arising from financing activities are primarily derived from cash proceeds or cash expenditures that result in changes in equity and subordinated liabilities. The Group's net cash used in financing activities for the year was US\$89,478,000 (2013: US\$73,101,000). Net cash outflows from financing activities mainly due to repayment of various secured bank loans.

Cash and cash equivalents – Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. At the reporting date, the Group's cash and cash equivalents was US\$56,156,000 (2013: US\$78,671,000). Details of items included in cash and cash equivalents are set out in note 24 to the financial statements.

Directors' Report

FINANCIAL REVIEW *(Continued)*

Pledge of assets. As at 31 December 2014, the Group's property, plant and equipment with an aggregate net book value of US\$952,858,000 (2013: US\$1,051,544,000) and deposits of US\$22,617,000 (2013: US\$23,577,000) placed with banks were pledged together with the assignment of thirty six (2013: thirty eight) ship owning subsidiaries' chartering income to secure credit facilities utilized by the Group. In addition, shares of thirty (2013: thirty two) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

Capital expenditures and commitments. During the year, capital expenditure on additions of owned vessels and vessels under construction was US\$11,142,000 (2013: US\$5,598,000), on other property, plant and equipment was US\$487,000 (2013: US\$131,000) and on investment properties was US\$5,052,000 (2013: nil).

As at 31 December 2014, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was US\$26,190,000 (2013: nil), representing the Group's outstanding capital expenditure commitments to acquire one (2013: nil) newbuilding at contract price of US\$29,100,000 (2013: nil).

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 40 to the financial statements.

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

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

RELATED PARTY TRANSACTIONS

Details of the Group's and the Company's related party transactions are set out in note 37 to the financial statements.

EVENTS AFTER THE REPORTING DATE

No significant events occurred after the reporting date and up to the date of signing this annual report.

GOING CONCERN

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

AUDITOR

The financial statements for the year ended 31 December 2014 had been audited by Grant Thornton Hong Kong Limited. A resolution for the re-appointment of Grant Thornton Hong Kong Limited as the Company's auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

EMPLOYEES

The employees are the Group's most important resource and are crucial to the Group's success in achieving its targets for long term value creation. The Group provides various resources for staff training and development. The Group remunerates its employees, including the Executive Directors, in accordance with their performances, experiences and prevailing market practices and provides them with usual fringe benefits including medical insurance and contributions to provident funds. As far as the Group is aware, it complies with all relevant applicable regulations concerning employment, social benefits and labour safety.

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 2014, the Group had 75 (2013: 74) full-time employees, of whom 38 (2013: 38) employees were male and 37 (2013: 36) employees were female. At 31 December 2014, the Board consists of six members, of whom five members are male and one member is female. Procedures regarding recruitment, promotion and salary review are carefully reviewed with due consideration to avoid gender discrimination. The Group aims to ensure equal opportunities and rights in workplace.

The Group maintains a good relationship with its employees and crew and has never experienced any disruption of its operation as a result of industrial disputes. With over 900 officers and crew in various capacities, we work as a team and our shore based staff are accessible at all times to cater the needs of our people. We set up a representative office in China to strengthen communications between crew and shore based staff and to provide instant supports in some emergent situations.

We support continuous training and development and offer our people ongoing training, mentoring programs and seminars to strengthen their technical knowledge and to equip them to deliver best performance for the Group.

We encourage our people to take part in all kinds of charitable donations, fundraising activities and volunteering services to the underprivileged and the needy, charities or non-profit organizations to show our care to our community by actions. We sponsor scholarships in maritime educational institutions in China which offer programs in maritime, shipping and transport educations to young generations. We believe through education scholarships, we embrace the youth who are enthusiastic in the industry and who will contribute to the shipping industry as a whole.

RESEARCH AND DEVELOPMENT

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

Directors' Report

WORKING ENVIRONMENT

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

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

During the year, absence due to sickness was 2.1% (2013: 2.2%) of the total hours worked by employees and there were no serious injuries or accidents of any kind among the employees of the Group. We also provide fringe benefits and welfare to our people including but not limited to medical and life insurance, pension schemes, paid leave for various purposes, travel or meals for business-related work, and other benefits to improve employees' well-being.

EXTERNAL ENVIRONMENT ISSUES

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

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

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

Nitrogen Oxides (NO_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;

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

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

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

EXTERNAL ENVIRONMENT ISSUES *(Continued)*

We realize the importance of environmental stewardship and share the same environmental preservation objective with our crew and our people at Jinhui Shipping. In order to foster the environmental friendly practices in our vessels, we follow an internal safety management manual, which define 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 of all applicable environmental regulations in our business operation.

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

DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Mr. Tsui Che Yin Frank
Mr. William Yau
Mr. Ng Ham Tim (deceased on 27 February 2014)

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

Brief biographical details of the Directors and executive personnel are set out in the "Board of Directors and Executive Personnel" on pages 28 and 29.

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 CONTRACTS

No contract of significance to which the Company, its holding company, a subsidiary or a fellow subsidiary was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

(i) Directors' interests in shares of the Company

Name	Number of shares in the Company held and capacity			Total	Percentage of total issued shares of the Company
	Beneficial owner	Interest of spouse	Beneficiary of trust		
Ng Siu Fai	1,214,700	708,100	46,534,800 <i>Note</i>	48,457,600	57.66%
Ng Kam Wah Thomas	50,000	–	46,534,800 <i>Note</i>	46,584,800	55.43%
Ng Ki Hung Frankie	–	–	46,534,800 <i>Note</i>	46,534,800	55.37%

Note: Lorimer Limited, in its capacity as trustee of the Ng Hing Po 1991 Trust, is the legal owner of the entire issued share capital of Fairline which is the controlling shareholder of Jinhui Holdings. The Ng Hing Po 1991 Trust is a discretionary trust, the eligible beneficiaries of which include members of the Ng family. Both Messrs. Ng Siu Fai and Ng Kam Wah Thomas are directors of Fairline.

As at 31 December 2014, each of Messrs. Ng Siu Fai, Ng Kam Wah Thomas and Ng Ki Hung Frankie, the eligible beneficiaries of the Ng Hing Po 1991 Trust, is deemed to be interested in 46,034,800 shares of the Company (representing approximately 54.77% of the total issued shares of the Company) held by Jinhui Holdings and 500,000 shares of the Company (representing approximately 0.59% of the total issued shares of the Company) held by Fairline through their beneficial interests in Jinhui Holdings and Fairline respectively.

(ii) Directors' interests in shares of Jinhui Holdings

Name	Number of shares in Jinhui Holdings held and capacity			Total	Percentage of total issued shares of Jinhui Holdings
	Beneficial owner	Interest of spouse	Beneficiary of trust		
Ng Siu Fai	19,917,000	15,140,000	342,209,280 <i>Note</i>	377,266,280	71.15%
Ng Kam Wah Thomas	5,909,000	–	342,209,280 <i>Note</i>	348,118,280	65.65%
Ng Ki Hung Frankie	3,000,000	–	342,209,280 <i>Note</i>	345,209,280	65.10%
Ho Suk Lin Cathy	3,850,000	–	–	3,850,000	0.73%
Tsui Che Yin Frank	1,000,000	–	–	1,000,000	0.19%
William Yau	441,000	–	–	441,000	0.08%

Note: As at 31 December 2014, Lorimer Limited, in its capacity as trustee of the Ng Hing Po 1991 Trust, is the legal owner of the entire issued share capital of Fairline which is the legal and beneficial owner of 342,209,280 shares of Jinhui Holdings (representing approximately 64.53% of the total issued shares of Jinhui Holdings). The Ng Hing Po 1991 Trust is a discretionary trust, the eligible beneficiaries of which include members of the Ng family. Both Messrs. Ng Siu Fai and Ng Kam Wah Thomas are directors of Fairline.

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

(iii) Directors' interests in underlying shares of Jinhui Holdings (rights to acquire shares of Jinhui Holdings under the Share Option Scheme of Jinhui Holdings)

A share option scheme was adopted by Jinhui Holdings on 18 November 2004 whereby the board of directors of Jinhui Holdings was authorized to grant share options to acquire the shares of Jinhui Holdings to the directors, officers and employees of Jinhui Holdings Group and other person(s) selected by the board of Jinhui Holdings who have contributed or will contribute to Jinhui Holdings Group. Each option gives the holder the right to subscribe for one ordinary share of Jinhui Holdings.

Details of share options under the Share Option Scheme of Jinhui Holdings in 2014 were as follows:

Name	Date of grant	Exercise price per share HK\$	Exercisable period	Number of outstanding options as at 1 January 2014	Number of options lapsed during the year	Number of options exercisable as at 31 December 2014
Ng Siu Fai	23 December 2004	1.60	31 March 2006 to 22 December 2014	31,570,000	(31,570,000)	–
	29 June 2006	1.57	29 June 2006 to 28 June 2016	3,184,000	–	3,184,000
Ng Kam Wah Thomas	23 December 2004	1.60	31 March 2006 to 22 December 2014	21,050,000	(21,050,000)	–
	29 June 2006	1.57	29 June 2006 to 28 June 2016	3,184,000	–	3,184,000
Ng Ki Hung Frankie	29 June 2006	1.57	29 June 2006 to 28 June 2016	3,184,000	–	3,184,000
				62,172,000	(52,620,000)	9,552,000

Notes:

- During the year, 52,620,000 share options were lapsed. Other than that, no share option was granted, exercised, cancelled or lapsed during the year.
- As at the dates of grant of options on 23 December 2004 and 29 June 2006, the closing prices per share of Jinhui Holdings were HK\$1.53 and HK\$1.57 respectively.
- The closing price per share of Jinhui Holdings as at 31 December 2014 was HK\$1.31.

Directors' Report

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

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

CORPORATE GOVERNANCE

Jinhui Shipping recognizes the importance of good corporate governance to the Company's value creation. The corporate governance report of 2014 was set out in the "Corporate Governance Report" on pages 11 to 27, which covered every section of Norwegian Code of Practice with the description of our conformance throughout the year and the explanation of deviations. It also included the required report contents as set out in Section 3-3b of the Norwegian Accounting Act.

RISK MANAGEMENT

The Group is principally exposed to various risks and uses appropriate financial instruments in connection with its risk management activities.

Business risk. The Group is exposed to the business risk 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 in the dry bulk market; the drop in vessel values which result in impairment loss of the Group's assets and the changes in operating expenses including bunker prices, crewing costs, drydocking and insurance costs.

Market risk. Market risk is the risk of financial loss due to adverse changes in the market value of a financial instrument or portfolio of financial instruments. Such exposure occurs 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 mainly arising 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 38 to the financial statements.

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

RISK MANAGEMENT *(Continued)*

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.

RISK FACTORS

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

Key risk factors that could cause actual results to differ materially from those discussed in this report will include but not limited to the way world economies, currencies and interest rate environment may evolve going forward, general market conditions including fluctuations in charter rates and vessel values, counterparty risk, changes in demand in the dry bulk market, changes in operating expenses including bunker prices, crewing costs, drydocking and insurance costs, 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.

Directors' Report

OUTLOOK

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

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

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

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

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

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


PUBLICATION OF FINANCIAL INFORMATION

This report is available on the website of the Company at www.jinhuiship.com and the NewsWeb of the Oslo Stock Exchange at www.newsweb.no.

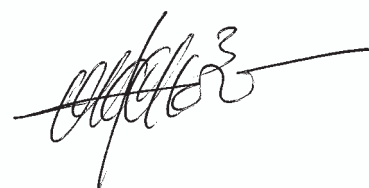
16 March 2015



Ng Siu Fai
Chairman



Ng Kam Wah Thomas
*Managing Director and
Deputy Chairman*



Ng Ki Hung Frankie
Executive Director



Ho Suk Lin Cathy
Executive Director



Tsui Che Yin Frank
Non-executive Director



William Yau
Non-executive Director

Responsibility Statement

We confirm, to the best of our knowledge, that the audited financial statements for the year from 1 January to 31 December 2014 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operations of the Group and the Company, and that the Directors' Report includes a true and fair review of the development and performance of the business and the position of the Group and the Company together with a description of the key principal risks and uncertainty factors that the Group and the Company face.

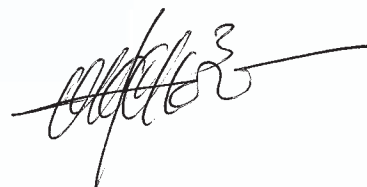
16 March 2015




Ng Siu Fai
Chairman



Ng Kam Wah Thomas
*Managing Director and
Deputy Chairman*



Ng Ki Hung Frankie
Executive Director



Ho Suk Lin Cathy
Executive Director

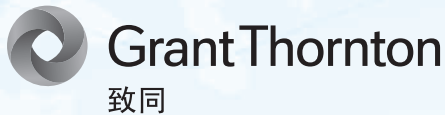


Tsui Che Yin Frank
Non-executive Director



William Yau
Non-executive Director

Independent Auditor's Report



To the members of

Jinhui Shipping and Transportation Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Jinhui Shipping and Transportation Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 47 to 101, which comprise the consolidated and the company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated and the company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report


AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and Hong Kong Financial Reporting Standards.



Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road, Wanchai

Hong Kong

16 March 2015

Kwong Kam Wing Kelvin

Practising Certificate No.: P05373

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

	Note	2014 US\$'000	2013 US\$'000
Revenue	7	132,249	217,502
Other operating income		21,091	34,355
Interest income		5,599	3,913
Shipping related expenses		(107,099)	(127,089)
Staff costs	9	(11,138)	(11,613)
Impairment loss on owned vessels		(50,586)	–
Impairment loss on assets held for sale		–	(12,844)
Other operating expenses		(14,058)	(12,482)
Operating profit (loss) before depreciation and amortization		(23,942)	91,742
Depreciation and amortization		(57,365)	(59,412)
Operating profit (loss)		(81,307)	32,330
Finance costs	12	(5,441)	(6,931)
Profit (Loss) before taxation		(86,748)	25,399
Taxation	13	–	–
Net profit (loss) and total comprehensive income (loss) for the year attributable to shareholders of the Company		(86,748)	25,399
Earnings (Loss) per share	14		
– Basic and diluted		US\$(1.032)	US\$0.302

Statements of Financial Position

As at 31 December 2014

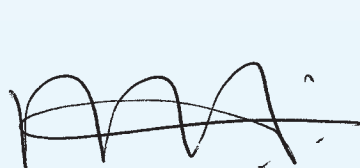
	Note	Group		Company	
		2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	16	967,941	1,064,266	-	-
Investment properties	17	8,546	3,513	-	-
Investments in subsidiaries	18	-	-	8,723	8,724
Available-for-sale financial assets	19	373	373	-	-
		976,860	1,068,152	8,723	8,724
Current assets					
Inventories		2,452	4,509	-	-
Trade and other receivables	21	20,879	50,935	-	-
Financial assets at fair value through profit or loss	22	132,339	130,975	-	-
Amount due from subsidiaries		-	-	756,460	756,310
Pledged deposits		22,617	23,577	-	-
Bank balances and cash	24	70,564	78,671	3,824	3,091
		248,851	288,667	760,284	759,401
Assets held for sale	25	-	55,440	-	-
		248,851	344,107	760,284	759,401
Total assets		1,225,711	1,412,259	769,007	768,125

Statements of Financial Position

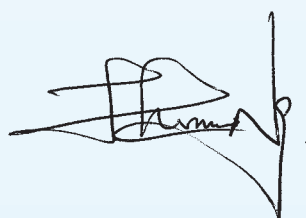
As at 31 December 2014

	Note	Group		Company	
		2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	26	4,202	4,202	4,202	4,202
Reserves		787,948	874,696	764,139	762,580
Total equity		792,150	878,898	768,341	766,782
Non-current liabilities					
Secured bank loans	28	338,638	402,498	-	-
Current liabilities					
Trade and other payables	29	30,961	40,367	46	766
Amount due to subsidiaries		-	-	518	519
Amount due to holding company		102	58	102	58
Secured bank loans	28	63,860	90,438	-	-
		94,923	130,863	666	1,343
Total equity and liabilities		1,225,711	1,412,259	769,007	768,125

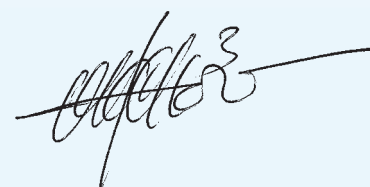
Approved and authorized for issue on 16 March 2015



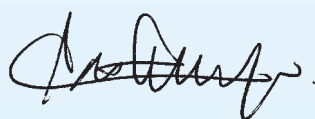
Ng Siu Fai
Chairman



Ng Kam Wah Thomas
Managing Director and
Deputy Chairman



Ng Ki Hung Frankie
Executive Director



Ho Suk Lin Cathy
Executive Director



Tsui Che Yin Frank
Non-executive Director



William Yau
Non-executive Director

Statements of Changes in Equity

Year ended 31 December 2014

	Issued capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Contributed surplus US\$'000	Employee share-based compensation reserve US\$'000	Reserve for available- for-sale financial assets US\$'000	Retained profits US\$'000	Total equity US\$'000
Group								
At 1 January 2013	4,202	72,087	719	16,297	4,758	48	755,388	853,499
Net profit and total comprehensive income for the year	-	-	-	-	-	-	25,399	25,399
At 31 December 2013	4,202	72,087	719	16,297	4,758	48	780,787	878,898
At 1 January 2014	4,202	72,087	719	16,297	4,758	48	780,787	878,898
Net loss and total comprehensive loss for the year	-	-	-	-	-	-	(86,748)	(86,748)
At 31 December 2014	4,202	72,087	719	16,297	4,758	48	694,039	792,150
Company								
At 1 January 2013	4,202	72,087	719	16,297	4,161	-	629,960	727,426
Net profit and total comprehensive income for the year	-	-	-	-	-	-	39,356	39,356
At 31 December 2013	4,202	72,087	719	16,297	4,161	-	669,316	766,782
At 1 January 2014	4,202	72,087	719	16,297	4,161	-	669,316	766,782
Net profit and total comprehensive income for the year	-	-	-	-	-	-	1,559	1,559
At 31 December 2014	4,202	72,087	719	16,297	4,161	-	670,875	768,341

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Note	2014 US\$'000	2013 US\$'000
OPERATING ACTIVITIES			
Cash generated from operations	31	40,239	32,997
Interest paid		(5,553)	(7,048)
Net cash from operating activities		34,686	25,949
INVESTING ACTIVITIES			
Interest received		5,454	3,358
Decrease (Increase) in bank deposits with more than three months to maturity when placed		(14,408)	15,083
Dividend income received		1,912	1,082
Purchase of property, plant and equipment		(11,629)	(5,729)
Purchase of investment properties		(5,052)	–
Proceeds from disposal of assets held for sale		56,000	–
Proceeds from disposal of property, plant and equipment		–	38
Proceeds from termination of unlisted investments		–	474
Purchase of available-for-sale financial assets		–	(170)
Net cash from investing activities		32,277	14,136
FINANCING ACTIVITIES			
New secured bank loans		4,144	2,620
Repayment of secured bank loans		(94,582)	(71,920)
Decrease (Increase) in pledged deposits		960	(3,801)
Net cash used in financing activities		(89,478)	(73,101)
Net decrease in cash and cash equivalents		(22,515)	(33,016)
Cash and cash equivalents at 1 January		78,671	111,687
Cash and cash equivalents at 31 December	24	56,156	78,671

Notes to the Financial Statements

Year ended 31 December 2014

1. GENERAL INFORMATION

Jinhui Shipping and Transportation Limited is an exempted company registered in Bermuda. The registered office of the Company is disclosed in the "Directors' Report" on page 30. The Company's shares are listed on the Oslo Stock Exchange.

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

The Group is controlled by Jinhui Holdings Company Limited, a company incorporated in Hong Kong which holds approximately 54.77% of the Company's shares at the reporting date. The registered office of Jinhui Holdings, where its consolidated accounts can be obtained, locates at 26th Floor, Yardley Commercial Building, 1-6 Connaught Road West, Hong Kong, PRC. The ultimate holding company of Jinhui Holdings Company Limited is Fairline Consultants Limited, a company incorporated in the British Virgin Islands.

The financial statements for the year ended 31 December 2014 were approved for issue by the Board on 16 March 2015.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board, and Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants.

Notes to the Financial Statements

Year ended 31 December 2014

3. ADOPTION OF NEW OR AMENDED IFRS AND HKFRS

In current year, the Group has applied for the first time, all new standards, amendments and interpretations issued by IASB and the HKICPA, which are relevant to and effective for the Group's financial statements for the accounting period beginning on 1 January 2014.

Amendments to IAS 36 and HKAS 36 "Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets"

The amendments to IAS 36 and HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments require disclosure on the recoverable amount for an impaired asset; and expand the disclosures required for an impaired asset whose recoverable amount is based on fair value less costs of disposal. To the extent that the amendments are applicable to the Group, the Group has provided recoverable amounts of impaired assets as at 31 December 2014 in note 16. As those recoverable amounts of impaired assets are based on value in use instead of fair value less costs of disposal, other extended disclosure requirement in the amendments to IAS 36 and HKAS 36 are not applicable to the Group's financial statements for the year.

At the date of authorization of these financial statements, certain other new or amended IFRS and HKFRS 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 financial statements is provided below.

Amendments to IAS 1 and HKAS 1	Disclosure Initiative ²
IFRS 9 and HKFRS 9	Financial Instruments ⁴
IFRS 15 and HKFRS 15	Revenue from Contracts with Customers ³
Amendments to IFRSs and HKFRSs	Annual improvements to IFRSs and HKFRSs 2010-2012 Cycle ¹
Amendments to IFRSs and HKFRSs	Annual improvements to IFRSs and HKFRSs 2011-2013 Cycle ¹
Amendments to IFRSs and HKFRSs	Annual improvements to IFRSs and HKFRSs 2012-2014 Cycle ²

Notes:

1. Effective for annual periods beginning on or after 1 July 2014
2. Effective for annual periods beginning on or after 1 January 2016
3. Effective for annual periods beginning on or after 1 January 2017
4. Effective for annual periods beginning on or after 1 January 2018

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

Notes to the Financial Statements

Year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except for: investment properties; financial assets at fair value through profit or loss; available-for-sale financial assets that are stated at fair values, and assets held for sale that are stated at the lower of carrying amount and fair value less costs of disposal. 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 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 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.

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.

Notes to the Financial Statements

Year ended 31 December 2014

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

4.4 Foreign currency translation

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2014

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

4.5 Revenue recognition

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

Revenue from the operations of ship chartering or owning business comprises chartering freight and hire income. Freight income from voyage charter is accrued over the period from the date of loading of charterer's cargo to the date of discharging the cargo and is recognized on percentage of completion basis measured by time proportion of each voyage charter contract. Hire income from time charter is accounted for as operating lease and is recognized on a straight-line basis over the period of each time charter contract.

4.6 Borrowing costs

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

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

4.7 Income tax

Income tax comprises current tax and deferred tax.

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

Notes to the Financial Statements

Year ended 31 December 2014

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

4.7 Income tax *(Continued)*

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 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.

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.

4.8 Property, plant and equipment

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

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

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

Vessels under construction are stated at cost less impairment loss. All direct costs relating to the acquisition of motor vessels which are under construction, including finance costs on related borrowing funds during the construction period are capitalized as vessels under construction. When the assets concerned are available for use, the costs are transferred to motor vessels and depreciated in accordance with the policy as stated below.

Notes to the Financial Statements

Year ended 31 December 2014

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

4.8 Property, plant and equipment *(Continued)*

Land held under operating leases and buildings thereon (where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease) are stated at cost less accumulated depreciation and impairment loss.

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

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

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

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

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

No depreciation is provided in respect of vessels under construction.

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

Notes to the Financial Statements

Year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Investment properties

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

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

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

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

4.10 Impairment of non-financial assets

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

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2014

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

4.11 Inventories

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

4.12 Financial assets

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Notes to the Financial Statements

Year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial assets (Continued)

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Assets held for sale

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

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

Non-current assets classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale and fair value less costs of disposal. Following their classification as held for sale, the assets are not depreciated. The gain or loss of assets being disposed of during the year are included in the statement of profit or loss and other comprehensive income up to the date of disposal.

4.14 Financial liabilities

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

The Group classifies its financial liabilities into the following categories:

Trade and other payables

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

Borrowings

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

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

Notes to the Financial Statements

Year ended 31 December 2014

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

4.15 Fair value measurement

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

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair values measured using valuation techniques in which all significant inputs other than quoted prices included within Level 1 are directly or indirectly based on observable market data.
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data.

4.16 Financial guarantee issued

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

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

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

4.17 Cash and cash equivalents

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

Notes to the Financial Statements

Year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Share capital

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

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

4.19 Employee share-based compensation

Jinhui Holdings operates a share option scheme for remuneration to eligible persons including directors, officers and employees of Jinhui Holdings and its subsidiaries.

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

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

At the time when the share options are exercised or lapsed, the amount previously recognized will continue to be held in employee share-based compensation reserve.

4.20 Employee benefits

Retirement benefits schemes

The Group operates a mandatory provident fund scheme and a defined contribution retirement 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 retirement scheme vest in employees according to the vesting percentage set out in the scheme. When employees leave the defined contribution retirement 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.

Notes to the Financial Statements

Year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Employee benefits (Continued)

Short term employee benefits (Continued)

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

4.21 Leases

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

Classification of assets leased to the Group

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

- property held under operating lease that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Operating lease (as lessee)

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

Assets leased out under operating leases (as lessor)

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

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

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

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

Notes to the Financial Statements

Year ended 31 December 2014

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

4.22 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 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.

4.23 Related parties

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

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

Notes to the Financial Statements

Year ended 31 December 2014

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.

5.1 Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of owned vessels

The Group has to make estimation and assumptions in the area of impairment test on owned vessels. In assessing the estimated fair value of vessels, the Group makes the estimation by reference to reported transaction prices of similar vessels or by reference to quotation from shipping broker, less costs of disposal. The value in use of 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 the first three years and 97% 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.

Based on the results of the impairment test on owned vessels at the reporting date, the carrying amounts of certain owned vessels exceeded their respective recoverable amounts and an impairment loss of US\$50,586,000 on certain owned vessels was recognized in consolidated statement of profit or loss at end of 2014 and further details of key assumptions applied in value in use calculation and recoverable amounts of impaired assets are provided in note 16.

5.2 Critical judgements in applying the Group's accounting policies

The significant judgement made in the process of applying the Group's accounting policies are discussed below.

Impairment of financial assets

In determining whether a financial asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in assessing whether there is any objective evidence of impairment. In making the judgement, the Group evaluates if there is any events that comes to the attention of the Group such as significant financial difficulty of the counterparties; whether there is any breach of contract, such as a default or delinquency in interest or principal payments; whether it becoming probable that the counterparties will enter bankruptcy or other financial reorganization; whether there is any significant changes in the technological, market, economic or legal environment that have an adverse effect on the counterparties; and whether there is any significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Notes to the Financial Statements

Year ended 31 December 2014

6. SEGMENT INFORMATION

The Group is principally engaged in the businesses of ship chartering and ship owning and the management has regarded chartering freight and hire as the only dominant reportable operating segment to be reported to the chief operating decision maker.

Finanstilsynet issued its circular "Certain accounting-related issues based on the review of financial statements in 2013" on 2 December 2013 and included its comments on disclosures about segment reporting and geographical areas. It stated that information on geographical distribution of revenue is required for all entities, including those with just one reportable operating segment and entities are required to explain the way in which revenue is distributed and to report the amounts on the basis of the financial information used to prepare the financial statements, even IFRS 8 gives no directions on how revenue distribution should be presented. In this regard, despite the fact that the Group's revenue was attributable to its chartering operations which are carried out internationally and cannot be attributable to any particular geographical location, the management has to provide a basis in order to meet the aforesaid requirement by Finanstilsynet. Hence, chartering freight and hire income arising from the Group's owned and chartered-in vessels by geographical location is presented in current year's notes to the financial statements.

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

7. REVENUE

Revenue represents chartering freight and hire income arising from the Group's owned and chartered-in vessels. Revenue recognized during the year is as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
Chartering freight and hire income:		
Hire income under time charters from owned vessels	97,339	170,644
Hire income under time charters from chartered-in vessels	354	7,503
Freight income under voyage charters	34,556	39,355
	132,249	217,502

Notes to the Financial Statements

Year ended 31 December 2014

7. REVENUE (Continued)

Information about major charterers

Revenue of US\$28,410,000 and US\$16,731,000 were derived from two charterers that contributed 21% and 13% respectively to the Group's revenue for the year 2014. During year 2013, revenue of US\$64,815,000 was derived from certain charterers who are under common control of a single entity, representing 30% of the Group's revenue for the year 2013.

Information about geographical distribution

Revenue from external customers (charterers) is as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
<i>Geographical split of revenue by charterers' location:</i>		
China	54,784	117,002
Australia	29,276	37,452
British Virgin Islands	18,586	7,832
Singapore	10,028	3,250
South Korea	5,172	2,079
Switzerland	4,427	–
Norway	2,766	387
Germany	2,192	4,468
Bermuda	354	5,226
Cayman Islands	298	4,399
United Kingdom	–	14,946
Italy	–	13,694
Other countries	4,366	6,767
	132,249	217,502

Notes to the Financial Statements

Year ended 31 December 2014

8. OTHER OPERATING INCOME

Other operating income for the year 2014 mainly included ballast bonus income received from particular charterers for certain charter contracts, gain on disposal of assets held for sale of US\$560,000, and settlement income of US\$6,024,000 from certain charterers in relation to repudiation claims under arbitration awards and early redelivery of an owned vessel prior to expiry of charter contract.

For the year 2013, other operating income included an income of US\$8,733,000 relating to the elimination of impairment loss, previously recognized on a vessel under construction, upon termination of a newbuilding contract, and settlement income of US\$5,416,000 from certain claims, including the partial settlement of claim for damages and losses against Korea Line Corporation ("KLC") by receiving cash and shares of KLC. These shares had been accounted for as financial assets at fair value through profit or loss as at 31 December 2013.

9. STAFF COSTS

	Group	
	2014	2013
	US\$'000	US\$'000
Directors' emoluments (excluding directors' fees):		
Salaries and other benefits	6,434	6,761
Contributions to retirement benefits schemes	238	144
Other staff costs:		
Salaries and other benefits	4,298	4,510
Contributions to retirement benefits schemes	168	198
	11,138	11,613

At the reporting date, the Group has 75 (2013: 74) full-time employees.

Notes to the Financial Statements

Year ended 31 December 2014

10. DIRECTORS' EMOLUMENTS

	Directors' fees ¹ US\$'000	Salaries and allowances ² US\$'000	Discretionary bonus ² US\$'000	Contributions to retirement benefits schemes ² US\$'000	Total US\$'000
2014					
Executive Directors					
Ng Siu Fai	248	1,846	1,179	111	3,384
Ng Kam Wah Thomas	248	1,846	1,179	111	3,384
Ng Ki Hung Frankie	170	108	55	6	339
Ho Suk Lin Cathy	60	170	51	10	291
Non-executive Directors					
Tsui Che Yin Frank	28	–	–	–	28
William Yau	23	–	–	–	23
Ng Ham Tim ³	3	–	–	–	3
	780	3,970	2,464	238	7,452
2013					
Executive Directors					
Ng Siu Fai	248	1,077	2,051	65	3,441
Ng Kam Wah Thomas	248	1,077	2,051	65	3,441
Ng Ki Hung Frankie	170	92	137	6	405
Ho Suk Lin Cathy	54	156	120	8	338
Non-executive Directors					
Tsui Che Yin Frank	28	–	–	–	28
William Yau	23	–	–	–	23
Ng Ham Tim ³	23	–	–	–	23
	794	2,402	4,359	144	7,699

Notes:

- The directors' fees were provided by the Company. None of the Directors received directors' fees from its subsidiaries.
- Directors' other emoluments, which included salaries and allowances, discretionary bonus and contributions to retirement benefits schemes, were provided by a subsidiary.
- Ng Ham Tim, non-executive director of the Company, deceased on 27 February 2014.

Notes to the Financial Statements

Year ended 31 December 2014

11. OPERATING PROFIT (LOSS) BEFORE DEPRECIATION AND AMORTIZATION

This is stated after charging / (crediting):

	Group	
	2014	2013
	US\$'000	US\$'000
Auditor's remuneration ¹ :		
Audit services	152	147
Other services	12	12
Hire payments under time charters	1,155	26,946
Operating lease payments in respect of premises	125	118
Net loss (gain) on financial assets at fair value through profit or loss	5,923	(3,230)
Interest income in respect of:		
Financial assets at fair value through profit or loss	(4,529)	(2,746)
Deposits with banks and other financial institutions	(1,070)	(1,167)
Dividend income	(2,053)	(1,143)
Net loss on disposal / write-off of property, plant and equipment	3	607
Net gain on disposal of assets held for sale	(560)	–
Impairment loss eliminated on termination of a newbuilding contract	–	(8,733)
Impairment loss (Reversal of impairment loss) on trade receivables	(644)	519
Net exchange loss	453	3,874
Gross rental income from operating leases on investment properties	(56)	(74)
Outgoings in respect of investment properties	12	11
Change in fair value of investment properties	19	(180)
Bad debts written off	23	52

Note:

1. The auditor's remuneration disclosed above excluded VAT and fees paid for other services mainly included fees for tax compliance services of US\$3,000 (2013: US\$3,000) and review of internal control systems of US\$3,000 (2013: US\$3,000).

Notes to the Financial Statements

Year ended 31 December 2014

12. FINANCE COSTS

	Group	
	2014	2013
	US\$'000	US\$'000
Interest on secured bank loans and overdrafts:		
Wholly repayable within five years	2,272	2,328
Not wholly repayable within five years	3,169	4,603
	<hr/>	<hr/>
	5,441	6,931

13. TAXATION

Taxation has not been provided as the Group has no assessable profit for the year.

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

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

Notes to the Financial Statements

Year ended 31 December 2014

13. TAXATION (Continued)

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

	Group	
	2014	2013
	US\$'000	US\$'000
Profit (Loss) before taxation	(86,748)	25,399
Income tax at the applicable tax rates in the tax jurisdictions concerned	(1,825)	(290)
Non-deductible expenses	1,076	266
Tax exempt revenue	(829)	(879)
Unrecognized tax losses	1,631	1,657
Unrecognized temporary differences	(5)	15
Utilization of previously unrecognized tax losses	(48)	(769)
Taxation for the year	-	-

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

14. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share were calculated on the net loss of US\$86,748,000 (2013: net profit of US\$25,399,000) for the year and the weighted average number of 84,045,341 (2013: 84,045,341) ordinary shares in issue during the year.

15. DIVIDEND

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

Notes to the Financial Statements

Year ended 31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT

Group	Motor vessels ¹ and capitalized drydocking costs US\$'000	Vessels under construction US\$'000	Leasehold land and buildings ² US\$'000	Others US\$'000	Total US\$'000
Cost					
At 1 January 2013	1,489,234	25,699	27,279	5,331	1,547,543
Reclassification to assets held for sale ⁴	(75,784)	–	–	–	(75,784)
Additions	5,263	335	–	131	5,729
Disposals / write-off	(3,096)	(641)	–	(82)	(3,819)
Termination – transferred to short term receivables ³	–	(25,393)	–	–	(25,393)
At 31 December 2013	1,415,617	–	27,279	5,380	1,448,276
Additions	8,232	2,910	–	487	11,629
Disposals / write-off	(5,534)	–	–	(323)	(5,857)
At 31 December 2014	1,418,315	2,910	27,279	5,544	1,454,048
Accumulated depreciation and impairment loss					
At 1 January 2013	321,867	8,733	9,610	3,795	344,005
Reclassification to assets held for sale ⁴	(7,500)	–	–	–	(7,500)
Charge for the year	57,940	–	836	636	59,412
Eliminated on disposals / write-off	(3,096)	–	–	(78)	(3,174)
Impairment loss eliminated on termination of a newbuilding contract ³	–	(8,733)	–	–	(8,733)
At 31 December 2013	369,211	–	10,446	4,353	384,010
Charge for the year	55,911	–	837	617	57,365
Eliminated on disposals / write-off	(5,534)	–	–	(320)	(5,854)
Impairment loss recognized ⁵	50,586	–	–	–	50,586
At 31 December 2014	470,174	–	11,283	4,650	486,107
Net book value					
At 31 December 2014	948,141	2,910	15,996	894	967,941
At 31 December 2013	1,046,406	–	16,833	1,027	1,064,266

Notes to the Financial Statements

Year ended 31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

1. All motor vessels are held for use under operating leases.
2. All leasehold land and buildings are held under medium or long term leases.
3. Termination of a newbuilding contract in year 2013:
A wholly-owned subsidiary of the Company had entered into a contract with a vendor in December 2007 for the acquisition of a Supramax at a purchase price of JPY4,500,000,000. It was announced on 19 September 2013 that the acquisition of the said vessel would be terminated. Prior to the termination of the said contract, the carrying amount of vessel under construction was US\$17,301,000, being the prevailing direct costs of US\$26,034,000 capitalized, net of an impairment loss of US\$8,733,000. Upon termination, an income of US\$8,733,000 relating to the elimination of impairment loss previously recognized on that vessel under construction was included in other operating income for the year 2013. The pre-delivery installments and relevant costs capitalized in "Vessels under construction" were transferred to short term receivables upon termination during 2013.
4. Reclassification to "Assets held for sale" in year 2013:
By end of 2013, the Group had the intention to sell two of its owned vessels which were ready for sale and had been actively marketed at prices that are reasonable in relation to their current fair values. As at 31 December 2013, these two vessels, including cost of US\$75,784,000 and accumulated depreciation of US\$7,500,000, were reclassified to "Assets held for sale" under "Current assets" and were set out in note 25.
5. Impairment loss recognized in year 2014:
Amidst oversupply of tonnage capacity, plummeting freight rates and falling market value of dry bulk vessels, the management cautiously reviewed the fundamentals in dry bulk shipping industry outlook and considered that impairment indication of the Group's fleet existed at end of 2014. The imbalance of supply might continue for some time and oversupply of vessels against a weakening demand in global seaborne trade remains to haunt the dry bulk shipping industry. With due considerations of factors affecting the long term intrinsic values of owned vessels in the impairment review, certain owned vessels' recoverable amounts which were determined based on value in use, were less than their respective carrying amounts. Based on the results of the impairment test on owned vessels at the reporting date, the carrying amounts of certain owned vessels exceeded their respective recoverable amounts of US\$387,528,000 which were determined based on value in use. Accordingly, an impairment loss of US\$50,586,000 on certain owned vessels was recognized at end of 2014. There was no such loss recognized in year 2013 as no impairment loss on owned vessels was identified for any of the vessels.

Basis of impairment loss calculation

An asset is tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable. The recoverable amount is the higher of the fair value of the asset 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. Impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

Notes to the Financial Statements

Year ended 31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (Continued)

5. Impairment loss recognized in year 2014: (Continued)

Key assumptions applied in value in use calculation

The value in use of 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 the first three years and 97% 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.

The hire rates applied in the impairment test were based on management's best estimation using "reversal to mean" approach, taking into consideration of historical performances, market research data, industry cycle and market expectation. Estimated hire rates for upcoming years are based on current market rates and the management assumed the hire rates would remain at low level in the first few years and slowly trend upward in subsequent years back to the "mean". The "mean" does not exceed the Group's historical 10 years average hire rates, which has already reflected the average cyclical effect of the industry.

The discount rate applied to the value in use calculation was 9.75% (2013: 10.97%), which was a pre-tax rate that reflected current market assessments of time value of money and the risks specific to the asset.

Sensitivity

With all other variables remaining constant, it was estimated that a decrease of 5% in hire rates applied in the impairment test at the reporting date, the impairment loss on owned vessels recognized and net loss for the year would increase by approximately US\$55,720,000 and the carrying amount of the Group's owned vessels would decrease by 5.9%.

With all other variables remaining constant, it was estimated that an increase of 5% in the discount rate applied in the impairment test at the reporting date, the impairment loss on owned vessels recognized and net loss for the year would increase by approximately US\$24,400,000 and the carrying amount of the Group's owned vessels would decrease by 2.6%.

17. INVESTMENT PROPERTIES

	Group	
	2014 US\$'000	2013 US\$'000
At 1 January	3,513	3,333
Additions	5,052	–
Change in fair value	(19)	180
At 31 December	8,546	3,513

Notes to the Financial Statements

Year ended 31 December 2014

17. INVESTMENT PROPERTIES (Continued)

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

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

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

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs		Relationship of significant unobservable inputs to fair value
				2014	2013	
Premises	Level 3	Direct comparison method	Market unit sale rate per square feet, after taking into account the age, location and individual factors such as size, view, floor level and quality of building	US\$1,400 – US\$2,400 per square feet	Not applicable	An increase in percentage of market unit sale rate per square feet would result in an increase in fair value measurement of the premises by the same percentage increase, and vice versa
Car parks	Level 3	Direct comparison method	Market unit sale rate per car park	US\$272,000 – US\$320,000 per car park	US\$176,000 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 Financial Statements

Year ended 31 December 2014

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 US\$'000	2013 US\$'000
Unlisted shares, at cost	8,723	8,724

Details of the Company's principal subsidiaries at the reporting date are set out in note 40.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2014 US\$'000	2013 US\$'000
Unlisted club membership, at fair value	203	203
Unlisted club membership, at cost	170	170
	373	373

Unlisted club membership stated at fair value represented investment in club membership which its fair value can be determined directly by reference to published price quotation in active market. At the reporting date, the fair value measurement of this unlisted club membership was categorized as Level 1 of the three-level fair value hierarchy as defined under IFRS 13 and HKFRS 13 and there was no transfer among the three levels of the fair value hierarchy during the year.

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

20. INVENTORIES

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

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Year ended 31 December 2014

21. TRADE AND OTHER RECEIVABLES

	Group	
	2014	2013
	US\$'000	US\$'000
Trade receivables	2,255	2,762
Prepayments, deposits and other receivables	18,624	48,173
	20,879	50,935

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

Details of the Group's credit policy are set out in note 38(e).

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

	Group	
	2014	2013
	US\$'000	US\$'000
Neither past due nor impaired	745	1,067
Past due but not impaired		
Within 3 months past due	517	1,005
Over 3 months but within 6 months past due	120	352
Over 6 months but within 12 months past due	531	28
Over 12 months past due	342	310
	1,510	1,695
	2,255	2,762

Notes to the Financial Statements

Year ended 31 December 2014

21. TRADE AND OTHER RECEIVABLES (Continued)

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

	Group	
	2014 US\$'000	2013 US\$'000
At 1 January	17,392	17,390
Impairment loss recognized	630	944
Reversal of impairment loss	(1,274)	(425)
Written off as uncollectible	(944)	(517)
At 31 December	15,804	17,392

The Group reviews receivables for evidence of impairment on both individual and collective basis. At the reporting date, the Group had determined trade and other receivables of US\$15,804,000 (2013: US\$17,392,000) as individually impaired. The individual impaired trade receivables are due from charterers with prolonged delay in hire payments over the agreed credit terms.

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

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014 US\$'000	2013 US\$'000
<i>Held for trading or not qualifying as hedges</i>		
Listed equity securities	56,408	55,426
Listed debt securities	75,931	75,549
	132,339	130,975

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

Notes to the Financial Statements

Year ended 31 December 2014

23. AMOUNT DUE FROM / TO SUBSIDIARIES / HOLDING COMPANY

Amounts due from / to subsidiaries / holding company are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due are considered to be a reasonable approximation of their fair values.

24. BANK BALANCES AND CASH

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Bank deposits with three months or less to maturity when placed	31,980	57,698	-	-
Bank balances	23,914	20,785	3,824	3,091
Cash in hand	262	188	-	-
Cash and cash equivalents as stated in the consolidated statement of cash flows	56,156	78,671	3,824	3,091
Bank deposits with more than three months to maturity when placed	14,408	-	-	-
	70,564	78,671	3,824	3,091

The carrying amounts of bank deposits and bank balances are considered to be a reasonable approximation of their fair values due to their short term maturities on inception.

Notes to the Financial Statements

Year ended 31 December 2014

25. ASSETS HELD FOR SALE

By end of 2013, the Group had the intention to sell two of its owned vessels which were ready for sale and had been actively marketed at prices that are reasonable in relation to their current fair values. As at 31 December 2013, these two vessels were reclassified to "Assets held for sale" under "Current assets" with recoverable amount of US\$55,440,000, which were measured at the lower of the net book value of US\$68,284,000 or estimated fair value less costs of disposal of US\$55,440,000. As a result, impairment loss of US\$12,844,000 for these two vessels was recognized for the year 2013.

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

In February 2014, the Group entered into agreements to dispose these two vessels at a total consideration of US\$56,000,000 to a purchaser, an independent third party. Both vessels were delivered to the purchaser in March 2014 as scheduled and a gain on disposal of assets held for sale of US\$560,000 was recorded in other operating income during the year.

26. SHARE CAPITAL

Company

	2014		2013	
	Number of ordinary shares of US\$0.05 each	Amount US\$'000	Number of ordinary shares of US\$0.05 each	Amount US\$'000
Authorized:				
At 1 January and 31 December	800,000,000	40,000	800,000,000	40,000
Issued and fully paid:				
At 1 January and 31 December	84,045,341	4,202	84,045,341	4,202

Notes to the Financial Statements

Year ended 31 December 2014

26. SHARE CAPITAL (Continued)

At the reporting date, the Company had 1,883 (2013: 2,002) shareholders. Pursuant to the record registered on the Norwegian Registry of Securities, the major shareholders holding more than 1% of the outstanding shares at the reporting date were as follows:

Shareholder's name	Percentage of total issued capital
Jinhui Holdings Company Limited*	39.90%
Genco Investments LLC	19.44%
Euroclear Bank SA / NV ('BA')*	18.24%
Nordnet Bank AB	5.49%
JP Morgan Clearing Corp.	2.05%
JP Morgan Chase Bank	1.48%
	86.60%

* Euroclear Bank SA / NV ('BA') held 12,502,300 shares of the Company in custodian for Jinhui Holdings Company Limited as at 31 December 2014 and hence Jinhui Holdings Company Limited had approximately 54.77% beneficial interests in the Company.

27. RESERVES

Details of movements in reserves of the Group and the Company are set out in the "Statements of Changes in Equity" on page 50.

At the reporting date, reserves of the Company available for distribution to shareholders amounted to US\$687,172,000 (2013: US\$685,613,000).

Share premium

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

Capital redemption reserve

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

Contributed surplus

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

Notes to the Financial Statements

Year ended 31 December 2014

27. RESERVES (Continued)

Employee share-based compensation reserve

Employee share-based compensation reserve represents the contribution from Jinhui Holdings for share options granted by Jinhui Holdings to Directors and employees of the Group.

Reserve for available-for-sale financial assets

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

28. SECURED BANK LOANS

	Group	
	2014	2013
	US\$'000	US\$'000
The maturity of secured bank loans is as follows:		
Within one year	63,860	90,438
In the second year	83,341	63,860
In the third to fifth year	172,704	190,801
Wholly repayable within five years	319,905	345,099
After the fifth year	82,593	147,837
Total secured bank loans	402,498	492,936
Less: Amount repayable within one year	(63,860)	(90,438)
Amount repayable after one year	338,638	402,498

At the reporting date, secured bank loans represented vessel mortgage loans that were denominated in United States Dollars and were committed on floating rate basis ranging from 0.76% to 2.48% (2013: 0.76% to 2.49%) per annum. These loans are secured by certain of the Group's assets as disclosed in note 36.

As at 31 December 2013, two vessels were reclassified to "Assets held for sale" under "Current assets". Please refer to note 25 for details. Accordingly, all outstanding bank borrowings associated with these two vessels were reclassified from long term portion to current portion as at 31 December 2013.

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

Notes to the Financial Statements

Year ended 31 December 2014

29. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Trade payables	2,351	2,280	–	–
Accrued charges and other payables	28,610	38,087	46	766
	30,961	40,367	46	766

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

30. EMPLOYEE SHARE-BASED COMPENSATION

Under the Share Option Scheme of Jinhui Holdings, the board of directors of Jinhui Holdings was authorized to grant share options to acquire the shares of Jinhui Holdings to the directors, officers and employees of Jinhui Holdings Group and other person(s) selected by the board of Jinhui Holdings who have contributed or will contribute to Jinhui Holdings Group. Each option gives the holder the right to subscribe for one ordinary share of Jinhui Holdings.

Details of share options under the Share Option Scheme of Jinhui Holdings granted to Directors and movement in the number of outstanding share options in 2014 were as follows:

	Date of grant	Number of options granted	Value of options at grant dates US\$'000	Exercise price per share HK\$	Exercisable period	Remaining contractual lives of outstanding share options	Number of outstanding options as at 1 January 2014	Number of options lapsed during the year	Number of options exercisable as at 31 December 2014
Performance based options	23 December 2004	44,727,000	3,786	1.60	31 March 2006 to 22 December 2014	–	44,727,000	(44,727,000)	–
Non-performance based options	29 June 2006	8,119,200	375	1.57	29 June 2006 to 28 June 2016	2 years	8,119,200	–	8,119,200
		52,846,200	4,161				52,846,200	(44,727,000)	8,119,200

Notes:

- During the year, 44,727,000 share options were lapsed. Other than that, no share option was granted, exercised, cancelled or lapsed during the years of 2013 and 2014.
- The closing price per share of Jinhui Holdings as at 31 December 2014 was HK\$1.31.

Notes to the Financial Statements

Year ended 31 December 2014

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
Profit (Loss) before taxation	(86,748)	25,399
Adjustments for:		
Depreciation and amortization	57,365	59,412
Interest income	(5,599)	(3,913)
Interest expenses	5,441	6,931
Impairment loss on owned vessels	50,586	–
Impairment loss on assets held for sale	–	12,844
Impairment loss eliminated on termination of a newbuilding contract	–	(8,733)
Impairment loss (Reversal of impairment loss) on trade receivables	(644)	519
Dividend income	(2,053)	(1,143)
Net loss on disposal / write-off of property, plant and equipment	3	607
Net gain on disposal of assets held for sale	(560)	–
Net loss on termination of unlisted investments	–	303
Change in fair value of investment properties	19	(180)
Bad debts written off	23	52
Provision for loss on charter hire utilized	–	(8,660)
Non-cash portion of settlement income	–	(3,607)
<i>Changes in working capital:</i>		
Inventories	2,057	2,733
Trade and other receivables	30,822	22,568
Financial assets at fair value through profit or loss	(1,223)	(51,287)
Trade and other payables	(9,294)	(20,833)
Amount due to holding company	44	(15)
Cash generated from operations	40,239	32,997

32. DEFERRED TAXATION

At the reporting date, deferred tax assets have not been recognized in respect of tax losses of US\$212,728,000 (2013: US\$203,136,000).

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

Notes to the Financial Statements

Year ended 31 December 2014

33. OPERATING LEASE COMMITMENTS

At the reporting date, the Group had no operating lease commitment under non-cancellable operating lease. As at 31 December 2013, the future minimum lease payments payable under non-cancellable operating lease on time charter hire was US\$1,804,000 which was payable within one year.

34. FUTURE OPERATING LEASE ARRANGEMENTS

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

	Group	
	2014	2013
	US\$'000	US\$'000
Within one year:		
Premises	192	5
Owned vessels	3,376	8,065
	<hr/>	<hr/>
	3,568	8,070
In the second to fifth year:		
Premises	165	–
	<hr/>	<hr/>
	3,733	8,070
	<hr/>	<hr/>

35. CAPITAL EXPENDITURE COMMITMENTS

At the reporting date, the total amount of capital expenditure commitments contracted by the Group but not provided for, net of deposits paid, was US\$26,190,000 (2013: nil), representing the Group's outstanding capital expenditure commitments to acquire one (2013: nil) newbuilding at contract price of US\$29,100,000 (2013: nil).

Notes to the Financial Statements

Year ended 31 December 2014

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 with an aggregate net book value of US\$952,858,000 (2013: US\$1,051,544,000);
- (b) Deposits totalling US\$22,617,000 (2013: US\$23,577,000) of the Group placed with banks; and
- (c) Assignment of thirty six (2013: thirty eight) ship owning subsidiaries' chartering income in favour of banks.

In addition, shares of thirty (2013: thirty two) ship owning subsidiaries were pledged to banks for vessel mortgage loans.

37. RELATED PARTY TRANSACTIONS

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

Group

- (a) Receipt of an administrative fee of US\$279,000 (2013: US\$239,000) from Jinhui Holdings;
- (b) Payment of rental charges of US\$17,000 (2013: US\$17,000) to a fellow subsidiary; and

Notes to the Financial Statements

Year ended 31 December 2014

37. RELATED PARTY TRANSACTIONS (Continued)

- (c) Compensation of key management personnel as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
Salaries and other benefits	7,111	7,482
Contributions to retirement benefits schemes	254	163
	7,365	7,645

Company

- (a) Receipt of interim dividends of US\$4,200,000 (2013: US\$42,500,000) from a subsidiary; and
- (b) Guarantees provided to banks to secure credit facilities granted to subsidiaries amounting to US\$404,787,000 (2013: US\$495,225,000), and the amount of such facilities utilized was US\$402,498,000 (2013: US\$492,936,000) at the reporting date. Based on expectations at the reporting date, the management considered that it was not probable that the subsidiaries would default the repayment of the bank loans and it was also not probable that a claim will be made against the Company under any of the guarantees.

38. 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 timely and effective manner. These policies have been in place for years and are considered to be effective.

Notes to the Financial Statements

Year ended 31 December 2014

38. FINANCIAL RISK MANAGEMENT AND POLICIES (Continued)

(a) Categories of financial instruments

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

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Financial assets				
<i>Available-for-sale financial assets</i>				
Unlisted club membership, at fair value	203	203	-	-
Unlisted club membership, at cost	170	170	-	-
	373	373	-	-
<i>Financial assets at fair value through profit or loss</i>				
Equity securities	56,408	55,426	-	-
Debt securities	75,931	75,549	-	-
	132,339	130,975	-	-
<i>Loans and receivables</i>				
Trade and other receivables	18,254	48,315	-	-
Amount due from subsidiaries	-	-	756,460	756,310
Pledged deposits	22,617	23,577	-	-
Bank balances and cash	70,564	78,671	3,824	3,091
	111,435	150,563	760,284	759,401
	244,147	281,911	760,284	759,401
Financial liabilities				
<i>Trade and other payables</i>	28,472	37,328	46	766
<i>Borrowings</i>				
Amount due to subsidiaries	-	-	518	519
Amount due to holding company	102	58	102	58
Secured bank loans	402,498	492,936	-	-
	402,600	492,994	620	577
	431,072	530,322	666	1,343

Notes to the Financial Statements

Year ended 31 December 2014

38. FINANCIAL RISK MANAGEMENT AND POLICIES (Continued)

(b) Interest rate risk

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

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

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

Sensitivity analysis*

Based on the exposures to bank borrowings of US\$402,498,000 (2013: US\$492,936,000) at the reporting date, it was estimated that an increase of 40 basis points in interest rate, with all other variables remaining constant, the Group's net loss would increase by approximately US\$1,610,000 (2013: net profit would decrease by approximately US\$1,972,000).

The sensitivity analysis above has been determined as if the change in interest rate had occurred at the reporting date. The basis of 40 points increase is considered to be reasonably possible change based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next reporting date.

(c) Foreign currency risk

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

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

At the reporting date, the Group was exposed to foreign currency risk primarily through holding certain bank deposits and investment in debt securities denominated in Renminbi amounting to RMB112,622,000 and RMB158,198,000, approximately US\$18,012,000 and US\$25,302,000 (2013: RMB137,780,000 and RMB113,958,000, approximately US\$22,591,000 and US\$18,684,000) 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 Financial Statements

Year ended 31 December 2014

38. FINANCIAL RISK MANAGEMENT AND POLICIES (Continued)

(c) Foreign currency risk (Continued)

Sensitivity analysis*

At the reporting date, based on the net exposures to the bank deposits and debt securities denominated in Renminbi of RMB270,820,000, approximately US\$43,314,000 (2013: RMB251,738,000, approximately US\$41,275,000), it was estimated that a depreciation of 5% in exchange rate of Renminbi against United States Dollars would result in an increase to the Group's net loss by approximately US\$2,063,000 (2013: decrease to the Group's net profit by approximately US\$1,965,000) with all other variables remain constant. The sensitivity analysis had been determined based on the assumed exchange rate movement of Renminbi against United States Dollars taking place at the beginning of the year and held constant throughout the year.

(d) Price risk

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

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

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

Sensitivity analysis*

Based on the portfolio of listed equity securities held by the Group at the reporting date, if the quoted prices of the listed equity securities had been decreased by 10%, the Group's net loss would increase by approximately US\$5,641,000 (2013: net profit would decrease by approximately US\$5,543,000).

Based on the portfolio of debt securities held by the Group at the reporting date, if the quoted prices of the debt securities had been decreased by 10%, the Group's net loss would increase by approximately US\$7,593,000 (2013: net profit would decrease by approximately US\$7,555,000).

* 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.

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Year ended 31 December 2014

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

(e) Credit risk

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

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

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

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

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

The Group is exposed to credit risk associated to investment in debt securities. By diversifying the investment portfolio across various debt securities offered by sound credit rating counterparties, the Group does not expect to incur material credit losses on managing these financial instruments.

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

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Year ended 31 December 2014

38. 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 requirements.

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 US\$'000	In the second year US\$'000	In the third to fifth year US\$'000	After the fifth year US\$'000	Total undiscounted amount US\$'000	Carrying amount US\$'000
2014						
Trade and other payables	28,472	-	-	-	28,472	28,472
Amount due to holding company	102	-	-	-	102	102
Secured bank loans	68,580	87,300	180,233	83,983	420,096	402,498
	97,154	87,300	180,233	83,983	448,670	431,072
2013						
Trade and other payables	37,328	-	-	-	37,328	37,328
Amount due to holding company	58	-	-	-	58	58
Secured bank loans	96,069	68,600	200,523	151,086	516,278	492,936
	133,455	68,600	200,523	151,086	553,664	530,322

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39. 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:

	Group	
	2014	2013
	US\$'000	US\$'000
Secured bank loans repayable within one year	63,860	90,438
Secured bank loans repayable after one year	338,638	402,498
Total secured bank loans	402,498	492,936
Less: Equity and debt securities	(132,339)	(130,975)
Less: Bank balances and cash	(70,564)	(78,671)
Net debts	199,595	283,290
Total equity	792,150	878,898
Gearing ratio	25%	32%

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40. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2014	Attributable equity interest at 31/12/2013	Principal activities	Place of operation
Incorporated in Bermuda					
# Jinhui MetCoke Limited	12,000 ordinary shares of US\$1 each	100%	100%	Investment holding	Worldwide
Incorporated in the British Virgin Islands					
Advance Rich Limited	1 share of US\$1 each	100%	100%	Investment	Worldwide
# Jin Hui Shipping Inc.	50,000 shares of US\$1 each	100%	100%	Investment holding	Worldwide
# Jinhui Investments Limited	1 share of US\$1 each	100%	100%	Investment holding	Worldwide
Incorporated in Hong Kong					
Fair Fait International Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Goldbeam International Limited	HK\$5,000,000 divided into 5,000,000 ordinary shares	100%	100%	Ship management services, shipping agent and investment	Hong Kong
Leadford Industries Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong
Monocosmic Limited	HK\$10,000 divided into 10,000 ordinary shares	100%	100%	Property investment	Hong Kong
Ringo Star Company Limited	HK\$2 divided into 2 ordinary shares	100%	100%	Property investment	Hong Kong

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40. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2014	Attributable equity interest at 31/12/2013	Principal activities	Place of operation
Incorporated in the Republic of Liberia					
Galsworthy Limited	1 registered share of US\$1 each	100%	100%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US\$1 each	100%	100%	Ship chartering	Worldwide
Paxton Enterprises Limited	500 registered shares of US\$1 each	100%	100%	Ship chartering	Worldwide
Sompol Trading Limited	10 registered shares of US\$1 each	100%	100%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US\$1 each	100%	100%	Ship chartering	Worldwide
Incorporated in the Republic of Panama					
Huafeng Shipping Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinao Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinbi Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinchao Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jincheng Maritime Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide

Notes to the Financial Statements

Year ended 31 December 2014

40. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2014	Attributable equity interest at 31/12/2013	Principal activities	Place of operation
Incorporated in the Republic of Panama (Continued)					
Jinfeng Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jingang Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinhan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinheng Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinhong Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinhui Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinji Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinjun Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinlang Marine Inc.	2 registered shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinli Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinmao Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide

Notes to the Financial Statements

Year ended 31 December 2014

40. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2014	Attributable equity interest at 31/12/2013	Principal activities	Place of operation
Incorporated in the Republic of Panama (Continued)					
Jinmei Marine Inc.	2 registered shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinming Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinquan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinrong Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinrui Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinshun Shipping Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinsui Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jintong Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinwan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide

Notes to the Financial Statements

Year ended 31 December 2014

40. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital / registered capital	Attributable equity interest at 31/12/2014	Attributable equity interest at 31/12/2013	Principal activities	Place of operation
Incorporated in the Republic of Panama (Continued)					
Jinxiang Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinxing Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinyao Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinyi Shipping Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinyu Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinyuan Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinyue Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide
Jinzhou Marine Inc.	2 common shares of US\$1 each	100%	100%	Ship owning	Worldwide

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

41. COMPARATIVE FIGURES

Certain comparative figures have been included in order to conform to the presentation of current year.

Glossary

This glossary contains the abbreviations and main terms used in the 2014 annual report.

Abbreviations / Main terms	Meanings in the annual report
Board	Board of Directors;
Capesize	Dry bulk vessel of deadweight approximately 150,000 metric tons or above;
Chairman	Chairman of the Board;
China / PRC	The People's Republic of China;
Company / Jinhui Shipping	Jinhui Shipping and Transportation Limited, a company incorporated in Bermuda and an approximately 54.77% owned subsidiary of Jinhui Holdings as at 31 December 2014, whose shares are listed on the Oslo Stock Exchange;
Company Code	A set of code adopted by the Company, which sets out the corporate standards and practices used by the Group;
Continuing Obligations	The rules on the Continuing Obligations of Stock Exchange Listed Companies issued by Oslo Bors ASA;
Director(s)	Director(s) of the Company;
DWT	Deadweight tonnage;
Fairline	Fairline Consultants Limited, a company incorporated in the British Virgin Islands with limited liability, which is the legal and beneficial owner of 342,209,280 shares of Jinhui Holdings (representing approximately 64.53% of the total issued shares of Jinhui Holdings) and 500,000 shares of the Company (representing approximately 0.59% of the total issued shares of the Company) as at 31 December 2014;
Group	Company and its subsidiaries;
Handymax	A dry cargo vessel of deadweight approximately 45,000 metric tons;
Handysize	A dry cargo vessel of deadweight below 40,000 metric tons;
HKAS	Hong Kong Accounting Standards;

Abbreviations / Main terms	Meanings in the annual report
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;
IAS	International Accounting Standards;
IASB	The International Accounting Standards Board;
IFRS	International Financial Reporting Standards;
IMO	The International Maritime Organization;
ISM Code	The International Safety Management Code;
ISPS Code	The International Ship and Port Facility Security Code;
Jinhui Holdings	Jinhui Holdings Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Hong Kong Stock Exchange;
Jinhui Holdings Group	Jinhui Holdings and its subsidiaries;
MARPOL	The International Convention for the Prevention of Pollution from Ships;
Nordea Bank	Nordea Bank Norge ASA;
Norwegian Code of Practice	The Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board;
Panamax	Vessel of deadweight approximately 70,000 metric tons, designed to be just small enough to transit the Panama Canal;
Post-Panamax	Vessel of deadweight approximately between 90,000 metric tons to 100,000 metric tons;
Shareholder(s)	Shareholder(s) of the Company;
Share Option Scheme of Jinhui Holdings	A share option scheme adopted by Jinhui Holdings pursuant to a resolution passed on 18 November 2004;

Glossary

Abbreviations / Main terms	Meanings in the annual report
STCW Convention	The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers;
Supramax(es)	Dry cargo vessel(s) of deadweight approximately 50,000 metric tons;
VAT	Value added tax;
VPS	Norwegian Verdipapirsentralen, the Norwegian Registry of Securities / Norwegian Central Securities Depository;
HK\$	Hong Kong Dollars, the lawful currency of Hong Kong;
JPY	Japanese Yen, the lawful currency of Japan;
RMB	Renminbi, the lawful currency of the PRC; and
US\$	United States Dollars, the lawful currency of the United States of America.

